



## **European Pellet Conference Wels Austria, March 2 to 4, 2011**

By Gordon Murray, March 14, 2011

I attended the European Pellet Conference and a meeting of the European Pellet Council in early March. I also learned about the activities of the Industrial Wood Pellet Buyers group consisting of Dong Energy, Drax, Electrabel, E.ON, RWE, Delta, Scottish and Southern, and Vattenfall.

### **European Pellet Conference**

Approximately 750 delegates attended, representing government, universities, power companies, boiler manufacturers, and pellet distributors.

Key conference messages included:

- Following the legally binding EU Renewable Energy Directive of 2009, most member states met the June 30, 2010 deadline of submitting national renewable energy plans and the December 5, 2010 deadline of transposing the Directive into national legislation.
- Each member state has its own individual renewable energy target (see table on next page), although the target for 10% renewable transportation fuel is the same for all member states.
- Biomass is projected to provide 10% of all EU energy, including 60% of all renewable energy.
- Biomass sources are forecasted to be: 50% from forestry; 40% from agriculture; and 10% from waste. Of the forest biomass, 60-70% will come directly from the forest and 30-40% will be from mill residuals.
- As of 2011, biomass provided 80 million tonnes of oil equivalent (mtoe) and will provide 140 mtoe by 2020. Eighty percent of this will be solid biomass, with the majority being pellets. Pellets will continue to dominate.

National overall share and targets for the share of energy from renewable sources in gross final consumption of energy in 2020

	Share of energy from renewable sources in gross final consumption of energy, 2005	Target for share of energy from renewable sources in gross final consumption of energy, 2020
Belgium	2,2 %	13 %
Bulgaria	9,4 %	16 %
The Czech Republic	6,1 %	13 %
Denmark	17,0 %	30 %
Germany	5,8 %	18 %
Estonia	18,0 %	25 %
Ireland	3,1 %	16 %
Greece	6,9 %	18 %
Spain	8,7 %	20 %
France	10,3 %	23 %
Italy	5,2 %	17 %
Cyprus	2,9 %	13 %
Latvia	32,6 %	40 %
Lithuania	15,0 %	23 %
Luxembourg	0,9 %	11 %
Hungary	4,3 %	13 %
Malta	0,0 %	10 %
The Netherlands	2,4 %	14 %
Austria	23,3 %	34 %
Poland	7,2 %	15 %
Portugal	20,5 %	31 %
Romania	17,8 %	24 %
Slovenia	16,0 %	25 %
The Slovak Republic	6,7 %	14 %
Finland	28,5 %	38 %
Sweden	39,8 %	49 %
United Kingdom	1,3 %	15 %

- In 2010 the European Commission recommended that biomass sustainability criteria be regulated at the national level. The Commission is reviewing this in 2011 and it is possible that they will recommend that sustainability criteria should be regulated at the EU level.
- Torrefaction is still in a development stage. The first demonstration units are just now starting up. There is strong European market pull for torrefied pellets.
- A torrefaction plant is expected to require 25-30% higher CAPEX than for a traditional pellet plant, but should be at least partially offset by lower OPEX.
- Substantial economic benefits from torrefied pellets are expected at power plants by eliminating the need for dedicated storage and separate milling and feeding lines.

- Most producing countries gave a report. The two reports most significant to Canada were the Swedish and Russian reports.
- In Sweden, 32% of energy is from biomass. In 2009, Sweden consumed 1.9 million tonnes of pellets, up from just 600,000 tonnes in 2000. Sweden's domestic pellet market is continuing to grow. Production capacity is about 2.3 million tonnes, so despite a huge domestic market, Sweden is a net exporter of pellets.
- According to Olga Rakitova of the National Bioenergy Union, the Russian pellet market is erratic. Many producers have started, then gone out of business, only to see new producers start up again. Total annual pellet production capacity (including the new Viborgskaya plant) is 3 million tonnes while actual production is about 1 million tonnes. About a third is consumed in Russia and the balance is exported. Two companies – ENISEY and LESOZVOD-25 – account for one third to one half of all exports. Electrabel, Dong Energy, and Fortum are large buyers of Russian pellets. The new Viborgskaya plant with capacity of 1 million tonnes per year is due to start production soon. Russia is much closer than Canada to power plants in Denmark, Finland, Sweden and other Baltic states.

### **European Pellet Council Meeting**

The European Pellet Council (EPC) (<http://www.pelletcouncil.eu/>) was formed in 2010. Christian Rakos of Austria is president and Peter Rechberger of the European Biomass Association is general manager. The EPC is hosted by the European Biomass Association. Canada is an observing (non-voting) member.

At the March 3 meeting, the countries that were present included Austria, Belgium, Finland, France, Germany, Hungary, Spain, and Switzerland. Denmark and Canada were observers.

The new Enplus pellet quality certification system is now ready to be implemented. It is a major step towards establishing pellets as a widely used energy commodity. For the first time numerous national standards and certifications are replaced by one uniform system based on the EN 14961-2 standard for wood pellets. This system was agreed upon by the EPC in January 2011 and thus enjoys the support of large parts of the European pellet sector. It is targeted at the heating sector.

Under ENplus, pellet quality is managed throughout the entire supply chain including production, storage and transport all the way to the end consumer. The quality requirements for pellet producers and pellet traders that wish to certify are laid down in the ENplus Handbook found at (<http://www.pelletcouncil.eu/en/pellet-quality-enplus/enplus-handbook/>)

The ownership of the ENplus trade mark stays with the European Biomass Association AEBIOM, which hosts the EPC. The right to award the license to use the ENplus brand to qualifying companies is passed on from AEBIOM to national pellet associations that apply.

Although Canada sells mostly into the industrial market, if our producers wish to sell into European residential heating markets, WPAC will need to apply to the EPC for a license to use ENplus. Italy, a potentially large market for Canadian pellets is planning to adopt ENplus.

### **Industrial Wood Pellet Buyers**

The website of the Industrial Wood Pellet Buyers (IWPB) is ([http://www.laborelec.com/content/EN/Renewables-and-biomass\\_p83](http://www.laborelec.com/content/EN/Renewables-and-biomass_p83)). So far the IWPB have met four times between June 2010 and January 2011. They are working toward standardization of contracts, sustainability criteria, and pellet quality. At this time, each power company uses its own contract, sustainability criteria and pellet quality standards. By standardizing these amongst all power companies, pellets will become more easily traded between power companies and will become a more standardized commodity. This standardization may well lead to pellet futures trading which can be used by producers and buyers alike for hedging purposes.

At this time there are two industrial pellet grades under consideration – I1 and I2. These are detailed on the IWPB website. The main differences between the two grades are the allowable limits for ash, trace elements, and particle size distribution.

There has been some discussion between the IWPB and the European Pellet Council about the potential for industrial grade certification to fall under the ENplus certification system, but no conclusion has yet been made.