Wood Pellet Opportunities in South Korea

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Gordon Murray, Executive Director
Topics

- Wood pellets 101
- BC pellet industry
- Canada-Korea wood pellet trade
- New Korean pellet import requirements
- Canada-Korea Free Trade Agreement and the pellet sector
Wood pellets 101

- Renewable fuel
- Made from compressed wood fibre.
- Lignin binds the fibre. No adhesives needed.
Wood pellet uses

Power generation
Efficiency ~ 35%

Heat, & hot water
Residential/commercial/
institutional
Efficiency ~ 90%

Animal bedding & oil
patch absorbent

Wood Pellet Association of Canada
- 2 million tonnes capacity
- >8 million tonnes potential
- ~$300 million annual sales
- 13 plants, 2 terminals
- $500 million capital investment
- ~800 direct forest and plant jobs
- 3 new plants under construction – 450,000 T
Canadian pellet exports - 2014

- Global consumption: ~ 25 mn tonnes
- Canadian exports: 1.6 mn tonnes
  - 77% of Canadian exports are from BC
  - 100% of Canadian exports to Korea are from BC

Source: Global Trade Atlas
Top 5 suppliers to South Korea in 2014 – thousands of tonnes

Total 2014: 1.8 million tonnes
Potential: >5 million tonnes by 2020

Source: Global Trade Atlas
Korean pellet imports from Canada (1)

Thousands of tonnes

Source: Global Trade Atlas

<table>
<thead>
<tr>
<th>Year</th>
<th>Thousands of Tonnes</th>
</tr>
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<tbody>
<tr>
<td>2012</td>
<td>3</td>
</tr>
<tr>
<td>2013</td>
<td>80</td>
</tr>
<tr>
<td>2014</td>
<td>344</td>
</tr>
<tr>
<td>2015 (5 months)</td>
<td>57</td>
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Korean pellet imports from Canada (2)

Thousands of dollars

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (Thousands of dollars)</th>
</tr>
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<tbody>
<tr>
<td>2012</td>
<td>$627</td>
</tr>
<tr>
<td>2013</td>
<td>$15,393</td>
</tr>
<tr>
<td>2014</td>
<td>$75,507</td>
</tr>
<tr>
<td>2015 (5 months)</td>
<td>$11,432</td>
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</tbody>
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Source: Global Trade Atlas
New Korean pellet import trade restrictions (1)

- New import restrictions imposed
- No consultation with trade partners
- No notice given
- Regulations not available in writing
- Result: Canadian pellet imports stopped
New Korean pellet import trade restrictions (2)

- Require federal government certification of authenticity of all tenure documents using the Apostille Convention
- Canada is not a member of the Apostille Convention, so cannot comply
- Korea also requires copies of commercially sensitive fibre supply contracts
- Unlike most other countries, Korea will not accept chain-of-custody certification as evidence of fibre source
Mutual obligations under Canada-Korea Free Trade Agreement

- Cooperate in facilitating market access
- Mutual acceptance of standards and conformity results.
- Impact analysis for new regulations
- Transparency when developing new regulations
- Notice before implementation
- Additional obligations under the WTO Technical Barriers to Trade Agreement
Canadian pellet producers were initially excited about Korean opportunities.

Enjoyed strong growth for three years.

Now Korea’s new import regulations have stopped our trade. No resolution in sight.

So far, Canada-Korea Free Trade Agreement has been a disappointment for our sector.