World Biomass Report Ed 1 2011

Market Intelligence

The biomass market suffered during the economic downturn in the face of low coal prices, logistic barriers and supply issues. 2010 saw more movement in the sector as coal prices are beginning to rise once again making co-firing coal plants with biomass more attractive. Furthermore, the biomass component of a coal-fired plant may be eligible for feed-in tariff or count towards renewable portfolio standards.Most of these plants rely on wood pellets, often transported at great distance, rather than wood chips or other less dense biomass sources. In the wood pellets market, supplies from the US and Canada are cheaper than their European counterparts and thus North America is a major suppliers for European biomass plants. CIS countries, Russia, Australia and South Africa have entered as significant suppliers, which if they could ramp up supply, could be serious competitors to the US and Canada. Or in the case of Russia, resolve supply delay issues, could be one of the biggest players in the market.

At the domestic level, use in Canada may increase as the costs to import coal rise. Burning biomass for heating or electricity is a potential use of wood destroyed by the mountain pine beetle, and an alternative for diesel in remote First Nations communities. Over the border in the US several projects are in the pipeline and will receive production tax credits through the 2009 American Recovery and Reinvestment Act.Within Europe, less traditional markets are expected to grow most over the next few years, especially the UK. As in October 2010 30 projects were under development within the country.

To ensure security of supply, some European power suppliers have bought or are planning to buy assets internationally. For example, Finland-based Stora Enso is planning to construct a USD 13.6 million wood pellet plant in Estonia, and Vattenfall, the Swedish utility, and SwedFund have acquired a 30% stake in Buchanan Renewable Fuels, a pellet producer in Liberia. Also, several European power plants use other sources of biomass, such as straw at the Amager Power Plant in Copenhagen. Denmark and other countries that are net importers of biomass in Europe may increasingly source alternative domestically produced biomass, as wood pellets prices are projected to rise over the next two years.

Where waste is used as a feedstock, local opposition can stall the development of projects on health grounds. However, in the US, the main market, and Europe, projects benefit from the landfill gate fees charged by individuals disposing of waste. Several projects are in the pipeline in both countries, but not to the same extent as in India and China where the market is largely undeveloped. Furthermore the Chinese government through its National Greenfield Development Plan has a target of 30% of waste generated is used in waste-to-energy plants by 2030, up from 2% in 2005, and the Indian government covers up to 50% of costs for waste-to-energy projects.

Highlights

That is not to say the market has stalled in Europe. One alternative, growing use for biogas is the injection of biomethane into the natural gas grid network. At the end of 2010, 107 such projects are in operation or under various stages of development in Germany, and a further 13 in Switzerland, 7 in Austria, 7 in Sweden, 6 in the Netherlands, 2 in Luxembourg, 2 in Great Britain, 2 in France and 1 in Norway. Thus providing an alternative for imported natural gas in some countries, especially if natural gas if prices rise. Elsewhere high growth markets for the sector are likely to be Australia, India and China, as already mentioned, and several countries in South East Asia such as the Philippines.

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