LAST EVOLUTIONS OF THE FRENCH PELLETS MARKET

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Syndicat National des Producteurs de Granulés de Bois (SNPGB)

Who we are?

- The SNPGB = "*Syndicat National des Producteurs de Granulés de Bois*" is a professional union, created in 2007.
- We gather 25 French producers and represent more than 80 % of the wood pellets and the briquettes produced in France.
- Our role is to defend the interests of our profession, to produce data and to communicate.

The pellet chain

Resources collecting

((sawdust, other sawmill byproducts, logs, etc)

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Pellets production ***(and storage)***

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Pellets distribution ***(and storage)***

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Pellets demand and consumption

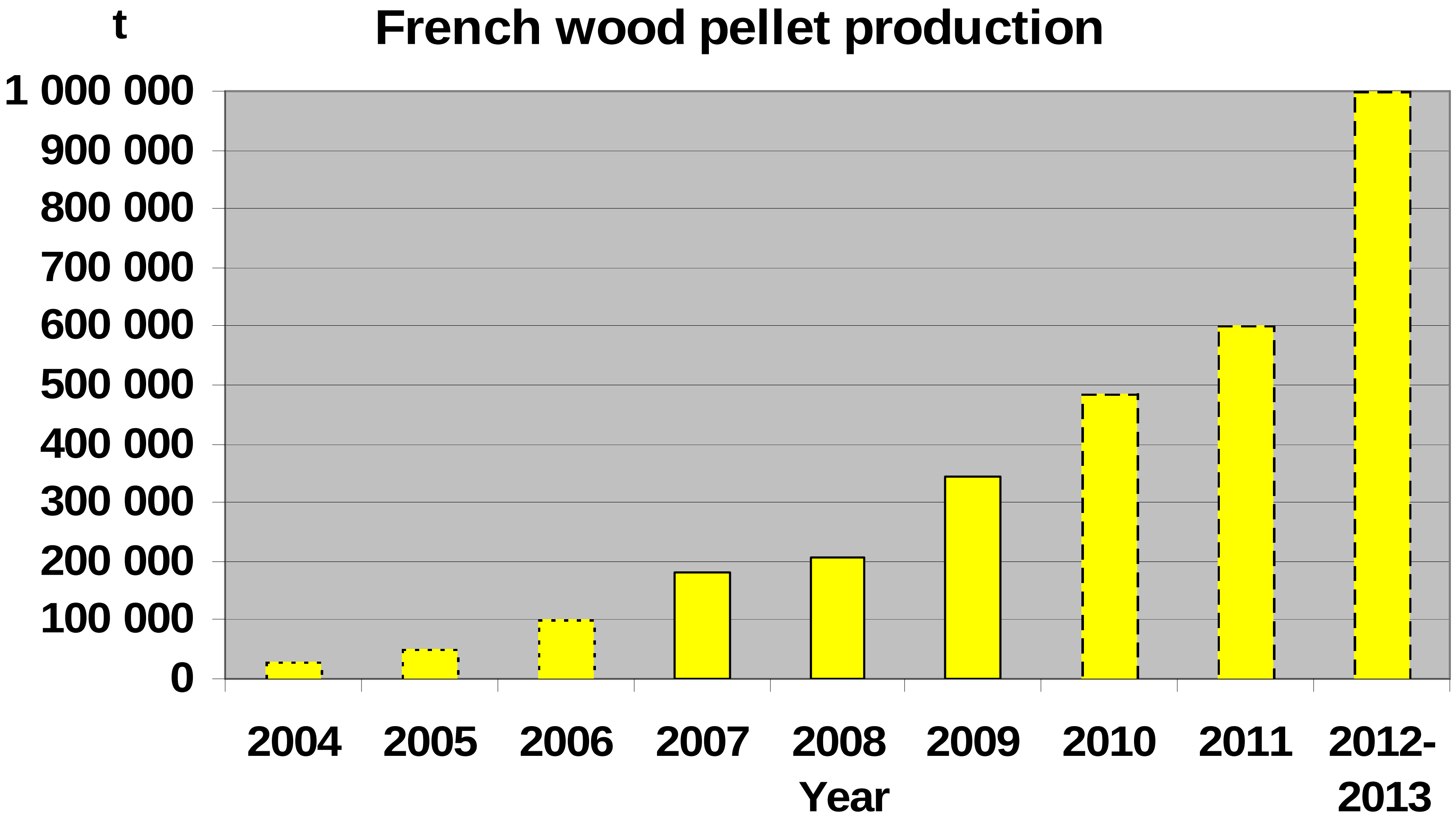
Raw material supply in France

- Raw material is still mostly sawdust for which the availability is atomized and limiting (French sawmills are often small).
- Competition with panel and paper industry is still active despite the difficulties of these sectors.
- Germany imported a lost of sawdust in 2009.
- Several producers are starting to use wood chips and logs as complementary raw materials.
- Important resources for agropellets are available. Some companies are developing specific agropellets formulations with relevant additives.

French wood pellet production

- Around 35 producers (+ some small new projects), showing a high diversity in terms of:
  - **Economic model and origin**. Pellet production is often a side activity for feed manufacturers or saw millers. However, several companies are specifically dedicated to pellets.
  - **Size** : from a few 100t/year (sometimes stable for years) up to 45 000 t/year (only recent plants).
  - **Distribution policies.**

Recent evolution of the French pellet production

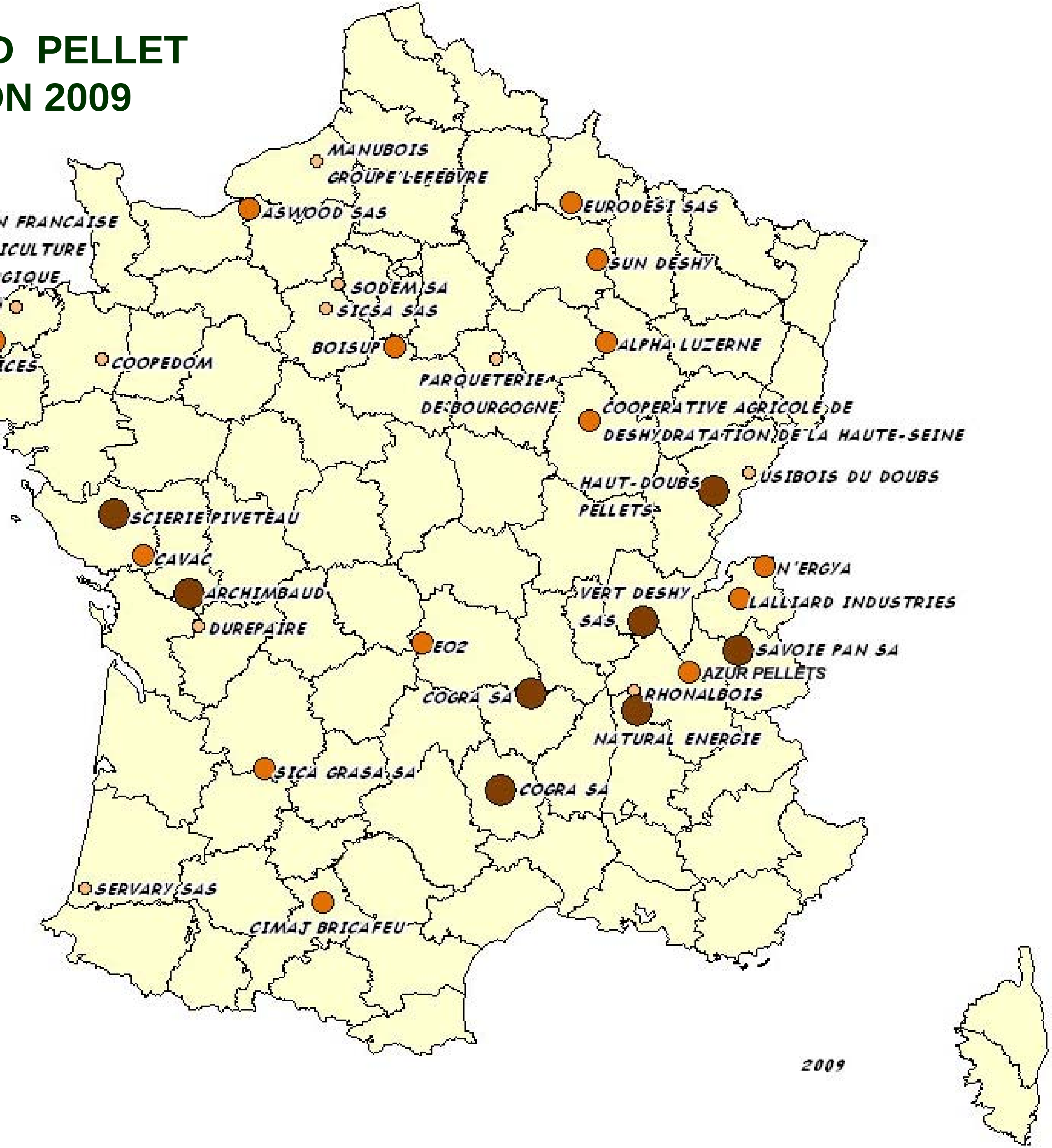


SNPGB – France – 4/3/2010

FRENCH WOOD PELLET PRODUCTION 2009

Production 2009 (t)

- < 2 000
- 2 000 à 10 000
- 10 000 à 25 000

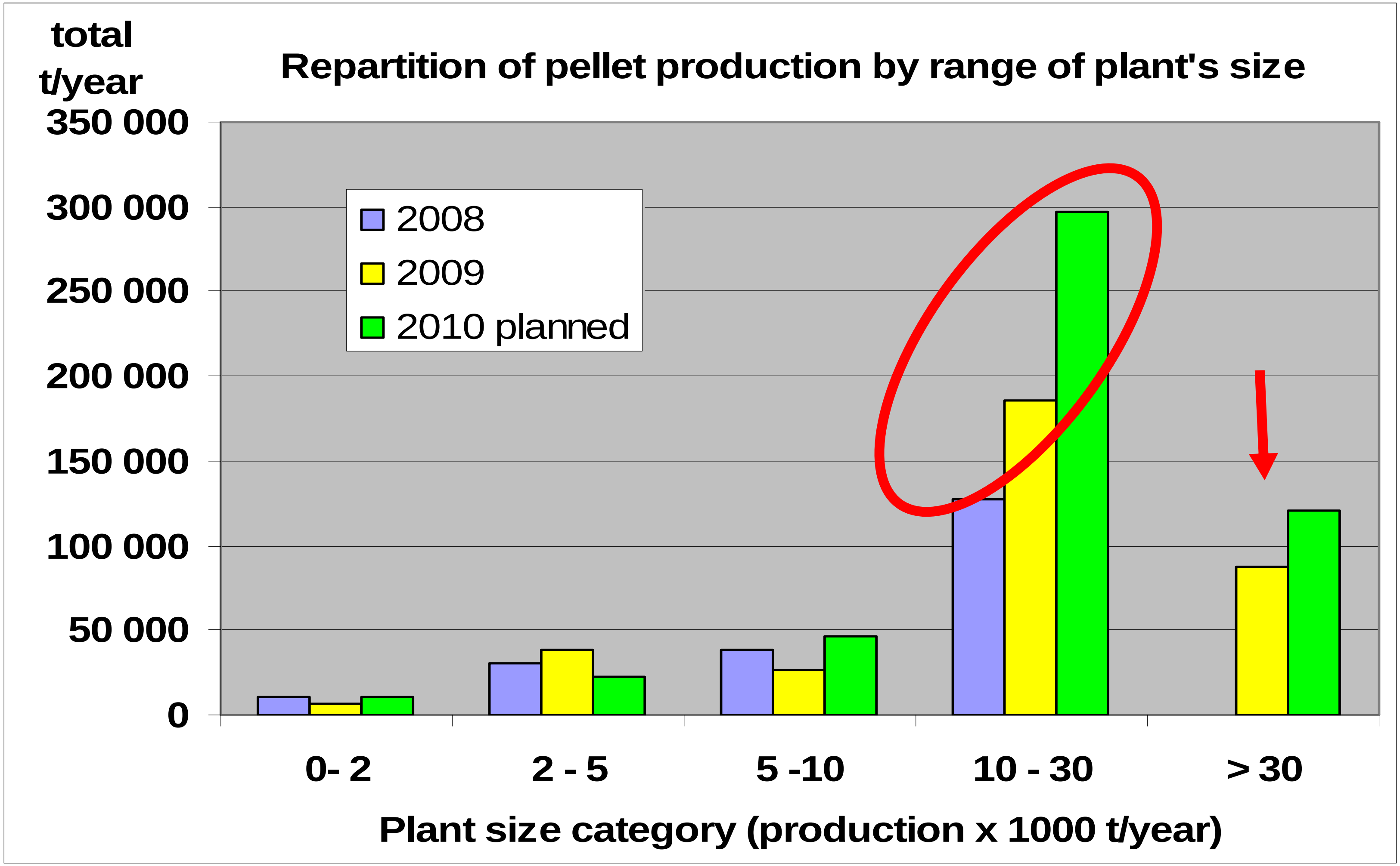


French wood pellet production (t)

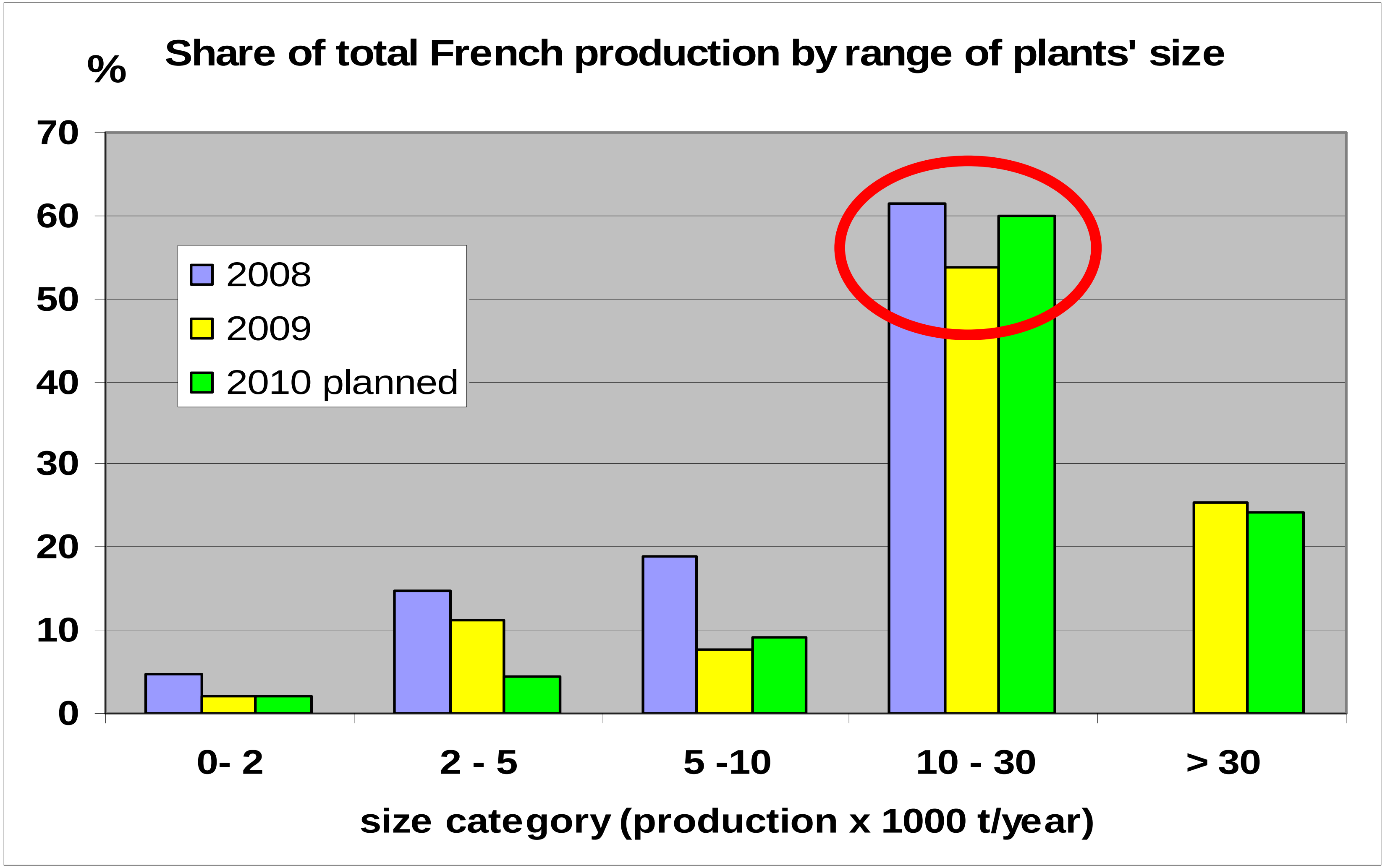
	2008	2009
Production	208 000	345 000
Imports	20 000	10 000
Exports	35 000	50 000
Consumption	193 000	305 000

- Strong increase of the production between 2008 and 2009.
- Nice balance between the development of the demand and the one of the production.
- Exports and imports are mostly used to regulate the national market.

Plants' size repartition (1)



Plants' size repartition (2)



Small or big plant's industry?

- Most of the French wood pellets are fabricated in plants producing 10 to 25 000 t/year.
- Only 2 recent plants produce more than 45 000 t/year.
- There are various projects of new small factories.
- Several visions about the future of pellet production can be found in France between those two:
  - Pellet sector has to be made of small plants, using local resources, serving local market with low distribution costs.
  - Only big plants (bigger than the current ones) enjoying important scales economies will be competitive in the future.

Product quality

- 60-65 % of French pellet production was certified for its quality in 2009.
- A few "old" and significant producers do not plan to be certified (their quality is recognised by the market through their brand name).
- The French "NF granulés biocombustibles" certification is recent but is now the first one on the market. DIN+ is still important and preferred by some producers in function of their own markets.
- As quality certification is quite recent and was considered as a heavy process, there is not yet a wish to switch rapidly to a new European certification scheme.

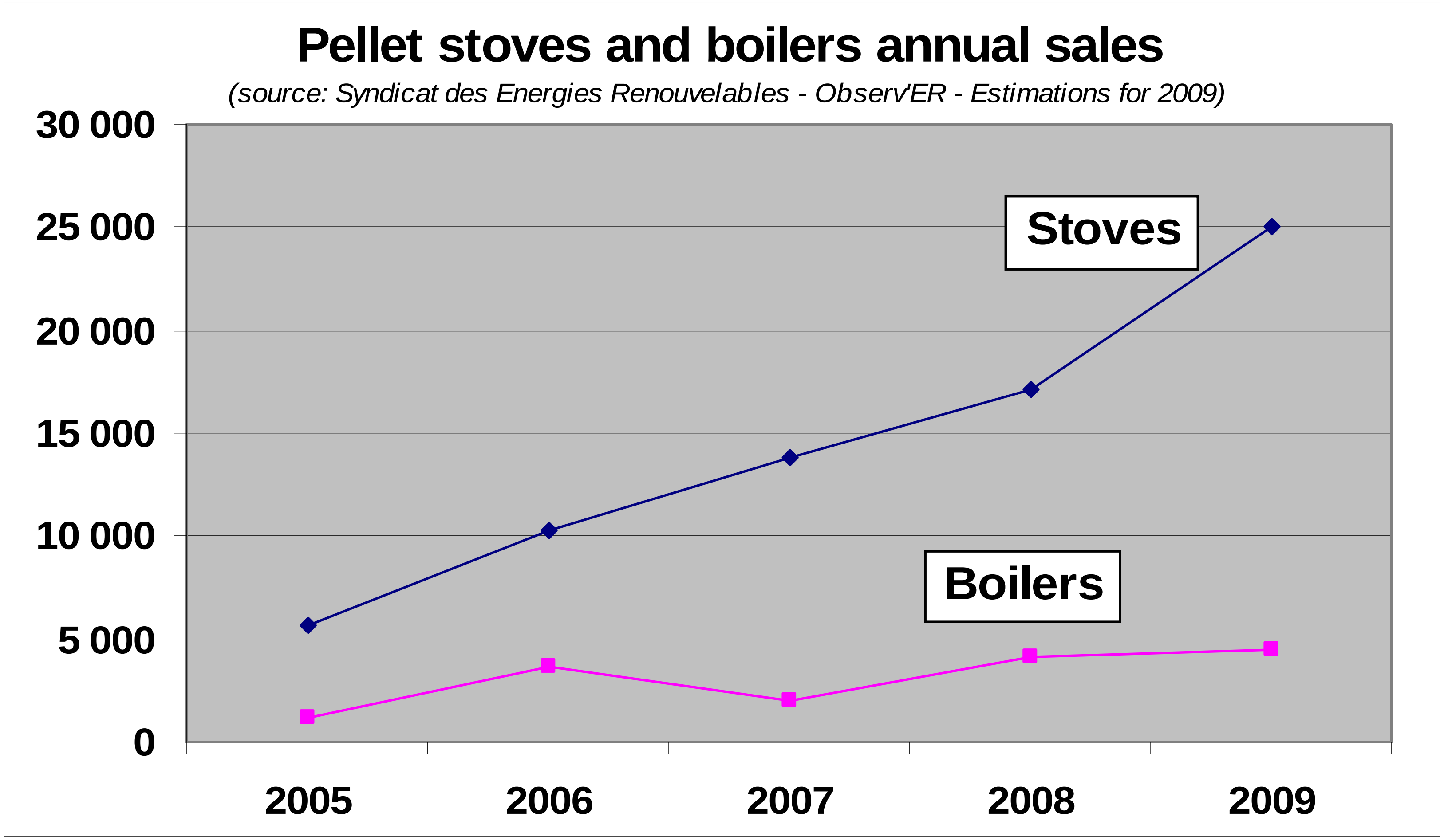
Distribution and prices

- Producers commercialize their products directly or through distributors, at local, regional or national level.
- Many producers combine different distribution schemes.
- Pricing is relatively stable in France but still vary a lot between suppliers and from one region to the other. There is a common wish to give visibility to the consumer.

The market demand

- **Individual householders:** main market segment and in constant growth. Bags: 65 %, bulk: 35 %. Pellet in competition with gas, heating pump, wood log, etc.
- **District and smaller collective heating:** still few references. Competition with forest wood chips, gas, etc. *A challenging target for the sector.*
- **Co firing of pellets in power plants** still does not exist in France.

Private residences demand



Public policies

- Until recently, wood pellet sector was not positively considered by the French public authorities (fear to destabilize raw material supply of panel industry).
- Wood energy policies focused therefore mostly on log for householders and forest chips for district heating or cogeneration.
- However, some incentives were accessible for pellet boilers or stoves.
- The development of the sector allows now to start a more efficient lobbying. That is our challenge!

Conclusions and prospects

- The development of both demand and production is getting faster and is still well balanced.
- The diversification of raw material is necessary and on its way.
- The demand is still very concentrated in the individual householder's segment. The next challenge is to develop other markets, especially district heating.
- The French pellet sector is no more at a pioneer stage : pellet quality and ability to deliver everywhere on the territory were considerably improved these last years. However, economic and industrial models are still very heterogeneous and some other evolutions can be expected.