RECENTS DEVELOPMENT 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 24 of the 30 French producers and represent more than 85 % of the wood pellets and briquettes produced in France.
- Our role is to defend the interests of our profession, to produce data and to communicate *(with the support of pellets@las in 2009).*

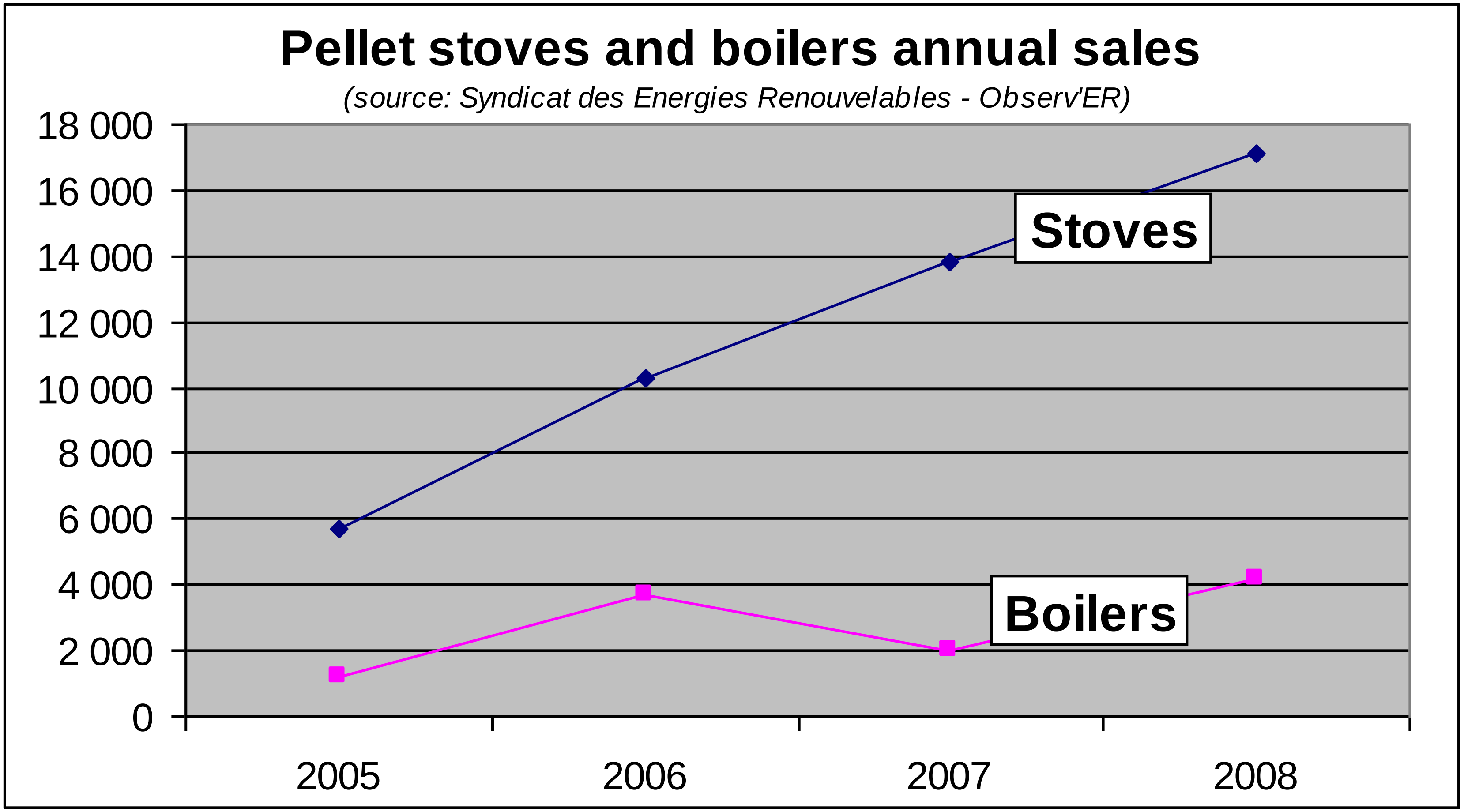
Recent development of the French pellets market

- Demand.
- Offer.
- Public policies and their impact.
- Conclusions.

The demand: the 3 segments (1)

- **Private residential** is currently dominating the market.
- Bags: 65 %, bulk: 35 %.
- Limitations to development: competition with other energies, renewable or not (electricity and gas are cheap in France) ; no specific public support.
- The demand was originally restricted to a narrow range of "green" consumers. It now reaches to people looking for a cheap and renewable source of heating energy.

The demand: the 3 segments (2)



The demand: the 3 segments (3)

- **Collective heating** is still a very small segment. No clear statistics are available.
- A strong public support is dedicated to heating systems using forest chips.
- Pellet is considered when storage capacities are limiting, access is difficult and the heating system management has to be simple.

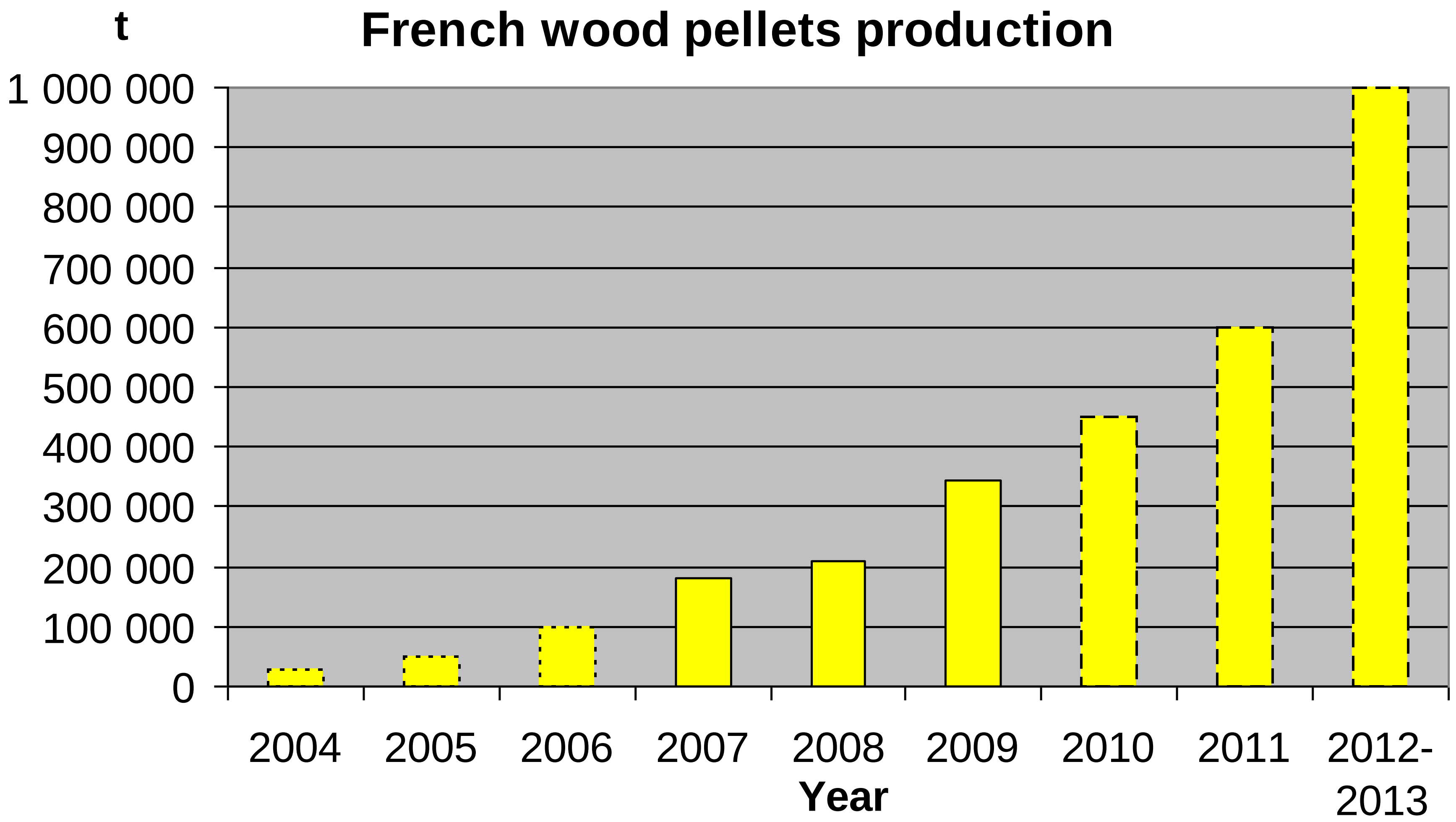
The demand: the 3 segments (4)

- **<u>Co firing in power plants</u>** segment still does not exist in France:
  - most of electricity is from nuclear power origin,
  - → very few power plants using coal,
  - reduction of greenhouse gas policy → potential development of a new demand of several 100 000 t of industrial quality.

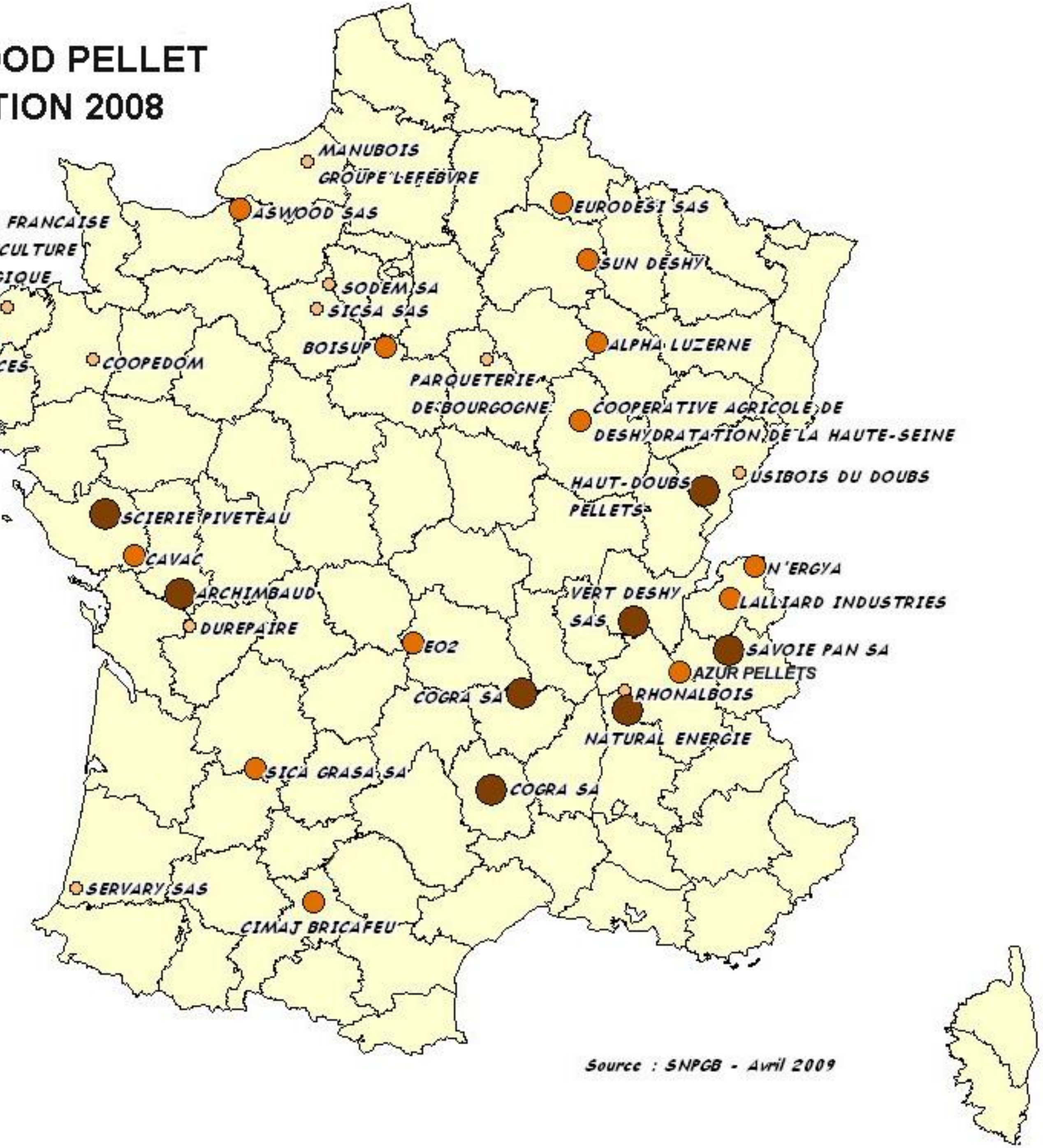
The offer

- A long story since the 80's.
- Around 30 producers with a high diversity in terms of:
  - Size (from a few 100t/year up to 50 000 t/year – still no "big" plant.
  - Origin (specifically dedicated to wood pellet; feed manufacturers; sawmills).
  - Commercial policies (direct distribution or through distributors, at local, regional or national level).

Recent evolution of the French pellets production



FRENCH WOOD PELLET PRODUCTION 2008



Production 2008
(tons)

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

SI

The offer

- Raw material: mostly sawdust for which the availability is atomized and limiting. Several producers are now able to use wood chips and logs.
- Quality: in constant improvement with an increasing part of the production being certified (NF "Norme Française" since early 2009, DIN+).

The balance of the market

- Most of the national production is consumed in France. Exports will not exceed 50 Kt and imports 10-15 Kt in 2009.
- Current prices for final consumer are rather stable within a wide range:
  - Bulk: 180-250 €/t including 5.5 % taxes and delivery.
  - Bags: 270-320 €/t including taxes and delivery.

The public policies

- National policies were historically not in favour of wood pellets (fear to destabilize panel and paper industry).
- Wood energy policies focused therefore mostly on log for domestic heating and forest chips for large heating units or cogeneration.
- A positive evolution is now on its way as the sector is showing its ability to develop itself.

Conclusions

- The French wood pellet market has a high potential in terms of offer and demand but started only recently a rapid growth.
- Lack of public support, atomization of sawdust availability, lack of major French boiler and stoves producers can explain this long genesis.
- Demand and offer show a balanced and accelerating growth. The market is still restricted to premium quality.
- Industrial quality might be developed through new dedication to pellets of non profitable panel or paper plants.