RECENT DEVELOPMENTS ON THE FRENCH PELLETS MARKET

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Abstract

The French pellet market has an important potential both in terms of production and of consumption. Its growth is continuous but relatively slow in comparison with some other neighboring countries. Various reasons can explain this evolution: no specific support of the state, low cost of other energy sources like gas and electricity, no use of pellet in electricity power plant, promotion still limited. The potential availability of raw material is high and despite the fact than sawmills are small and the sawdust resources are atomized, the production has reached 210 000 t en 2008 and should increase faster in the following years with possibly 600 000 t of premium pellets produced in 2011 and a total of 1 to 1.5 millions t within a few years including industrial quality pellet for power plants.

1. Introduction

France is a big potential market for pellets with already quite a long account which started in the 1980's. Production and consumption are growing each year at a reasonable rate with no big gap between offer and demand. The specific current estate of the French market can be explained at the level of demand, of offer and of external influences including public policies.

2. The demand

As in most of the countries the pellet markets can be split into three segments: private residential, collective heating and industrial.

2.1. Private residential

France shows a variety of climate conditions which in turn offers opportunities for pellets uses both for in stove and in boilers. The North-East part of France has a continental climate with long and cold winters and a strong tradition in wood energy similar to the one of the neighbouring countries like Germany and Switzerland. The development of pellets consumption was faster in these regions than in others, with a good balance between boiler and stoves sales. In South and Western parts of France, the climate is not so cold in winter and the tradition of use of wood to heat the house is partially lost, especially in urban and suburban areas. Pellet stoves have more success than boilers as they are mostly used to complement a central oil fuel heating system or an electric heating installation.

To understand the relatively slow development of the French pellet market demand, one must take into consideration various facts:

1. The prices of the other sources of energy like gas and electricity are cheaper than in many other European countries and their evolution is controlled by the government. As the French electricity production is mostly from nuclear origin, its costs did not show any strong variations these last years and electricity is now promoted in France as having very low impact on greenhouse effect.

2. As will be detailed hereunder, pellet demand and promotion never benefited of a specific support from the national authorities who mostly encouraged efficient log stoves for private residences and the use wood chips for collective heating systems.

3. Despite of the development of some French products most of the stoves and boilers sold in France are imported from other countries (Italy, Austria, Scandinavia, USA, etc) with a commercial effort which is still limited, even for the best products, because it is logically dimensioned to the current size of the market. Therefore the "culture of pellet" is slow to take. The installers have a key role in the choice of a heating system by the consumer but they still do not know well pellet and do not promote it actively.

During several years, the pellet demand was therefore growing slowly but regularly, being restricted to a rather specific segment of consumers which can be described as "green but modern technologies lovers". The rise of fuel oil price changed the market structure with the apparition of a new category of consumers, concerned by the energy price and happy to use renewable energies as a substitute to oil fuel. The rate of growth of the pellet demand accelerated but the available production and the capacity of deliveries and installation of stoves and boilers limited the effective growth of the market. The increase in pellet prices at the end of 2006 had some negative effect on the pellet image as this fuel was naively expected by consumers (but also by some of its promoters) to remain constantly stable in costs and prices.

The understanding by the consumer of the specific advantages of the pellet fuels is now in good progress and an acceleration of growth of the demand even if the current crisis limits temporarily the capacity of investment in pellet heating systems which remain still costly.

2.2. Collective heating

The use of pellet for collective heating is limited in France and no clear numbers are available for this segment. Several projects are currently in development but the strong governmental policy in favour of wood chips does not often allow prioritizing the use of pellets.

2.3. Co firing in power plants

As previously mentioned, there are only a very few power plants in France burning charcoal to produce electricity. At this time none of this plant is co firing any source of biomass with coal but it might occur in the future, according to the policies of reduction of greenhouse effect gas emissions. The development of this new segment could increase considerably the size of the French market and add a demand of product with lower specificities than the ones of the current premium pellet market.

3. The production and the offer

France has important forested superficies but most of them belong to small private owners and a large part is underexploited. The sawmill industry in France is made of small players in comparison with Germany or Scandinavian countries. Most of the pellet producers need therefore to gather sawdust from various sawmills. As a consequence, there is still no big pellet plant in France if one considers than "big" means a production of more than 50 000 t by year. As in many countries there is a strong competition for sawdust and other sawmill by products between pellet producers and the panel and the paper industry which still did not took the opportunity to diversify their activity and invest in pellet production as observed in other countries.

Wood pellet production is developing in France, on a continuous mode and reached 208 000 t in 2008. There are around 30 producers split on the territory. Some of them were pioneers of the pellet production in France but others are recent and show rapid developments. The diversity of the development models is interesting: some producers are saw millers (with a facilitated access to feedstuff), others are animal feed producers (with good technological know-how of pelleting process) and a third category gathers companies which dedicated themselves specifically to wood pellet production. Commercialization to householders occurs directly from the producers or through specific distributors, depending on the choice of each company.

The quality of French production was heterogeneous in the past and did not help to a good development of the market. An important evolution has occurred and most of the current producers are in the process of quality certification. Since early 2009, French standards are now also available, associated to the brand name "Norme Française" better known by the French consumers than the

German DIN+. The current availability of the two labels should lead to a nice stimulation in terms of quality development.

France imported around 20 000 t of wood pellet last year (from Germany, Spain, etc) and exported around 35 000 t to Italy, UK and some other countries. French production nowadays is mostly dedicated to serve the French market, imports and exports acting more as balancing tools between offer and demand.

The year 2009 is expected to be one of important development for the French wood pellet production. Several producers are currently expanding their production capacities and investing in facilities to be able to use other saw mill by products and logs.

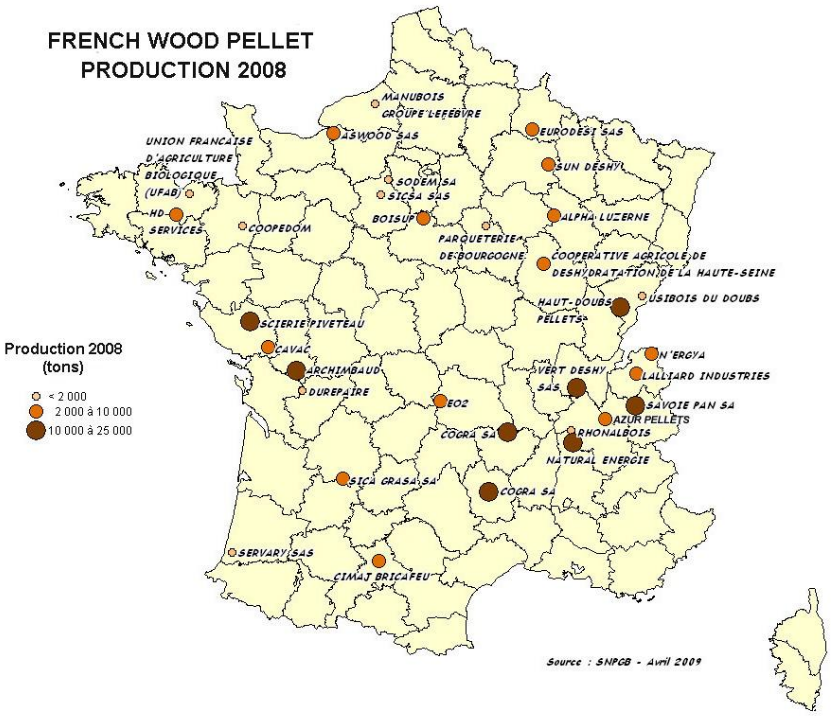

Figure 1: The production of wood pellet in France in 2008.

4. The public policies

Public policies are key factors for the development of any renewable energy in Europe. As a matter of fact, the development of the French pellet sector was never directly supported at a national level. One major reason was the fear to destabilize the panel and paper industry for part of their raw materials supply. The public strategies implemented all these last years on wood energy focused on improving the wood log uses by the householder and on the development of heating or cogeneration units burning wood chips. Wood pellet was able to benefit from some tax incentives for high quality stoves or boilers but with no specific support to communication on the innovative and performing solution that it represents. Locally, some regional support to the wood pellet sector can be available but is still not part of an integrated national plan.

This lack of specific and perennial support had major consequences for wood pellet production: the sector which is made of small companies had difficulties in the past to design the right models. Some companies produced bad quality products, others were created and then disappeared, all of that having very bad effects on consumer confidence. Because of the lack of assistance to promotion, wood pellet heating solutions are still not known by a majority of the French consumers.

5. Prospects for the future

After its long genesis, French production of pellets is expected to follow a more rapid growth. It should be closed to 300 000 t in 2009 which would correspond to a very significant growth. The demand is expected to be in line with the production even if plans to export any possible excess are ready. Before the end of 2011 some previsions consider that a production of 600 000 t of premium wood pellet could be reached.

The development of the production of pellets with a quality adequate for power plants could take place in the future, especially in some paper industry factories requiring reengineering or diversification. The total French pellet production could then reach 1 to 1.5 millions of tons within a few years mainly for a national consumption.

Even though there are still important issues to overcome, there is a sense of steady development; which is definitely stimulating the French pellet market.