

International Pellet Markets and Canadian Pellet Industry Update

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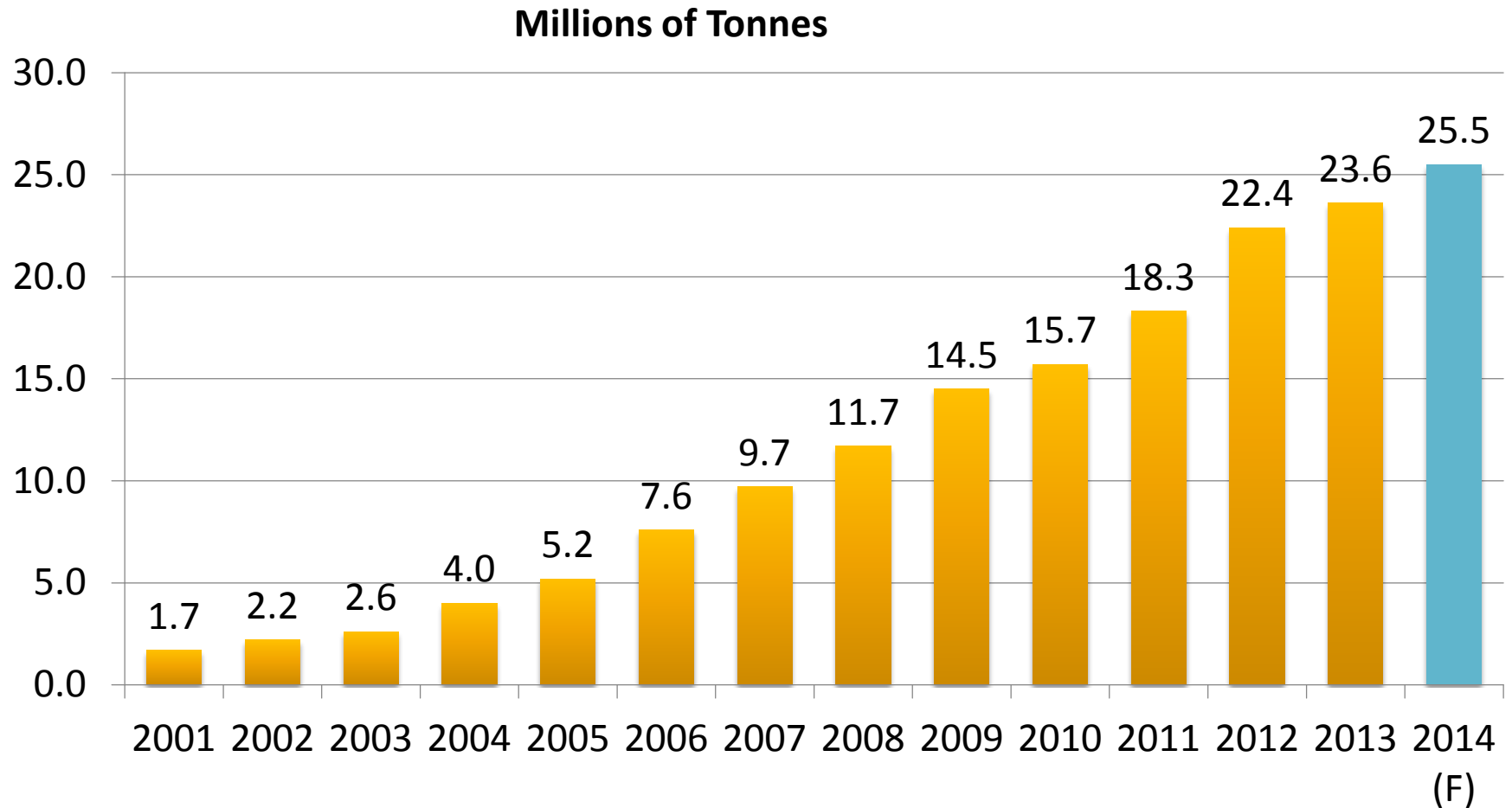


Topics

- Global pellet consumption
- Global market forecast
- Canadian exports
- World regional production and consumption
- European market analysis
- Asian market analysis
- Canadian pellet consumption
- New SBP sustainability certification



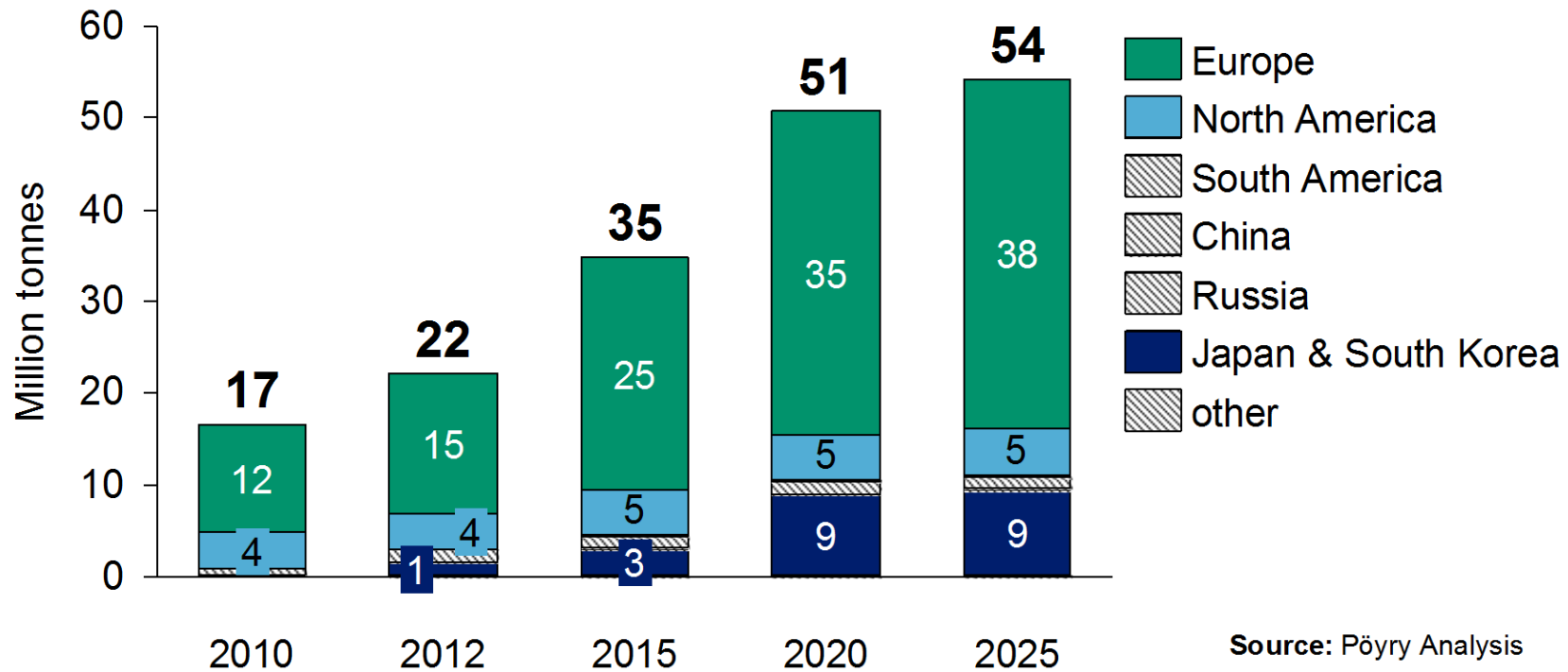
Wood Pellet Global Production



Sources: Hawkins Wright, REN 21

Global Demand Outlook to 2025

Global Pellet Demand (Pöyry central scenario)



Source: Silvio Mergner, Poyry

Source: Pöyry Analysis

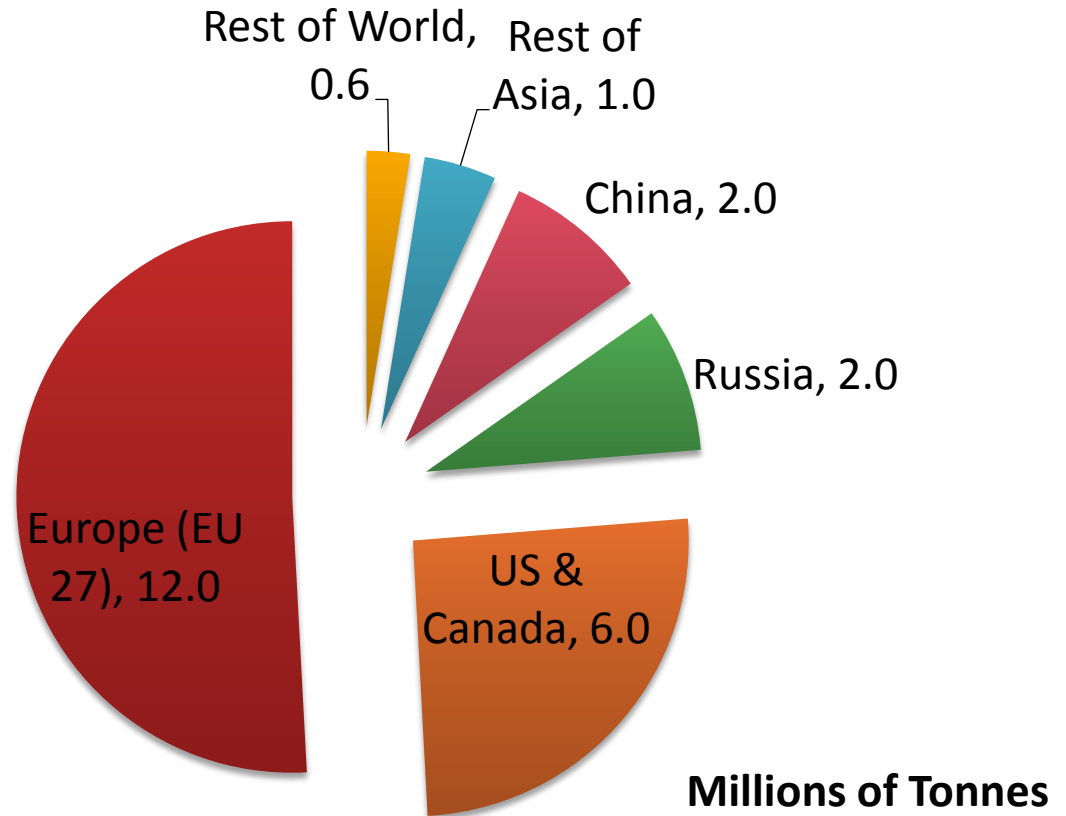
Canadian Export Destinations – thousands of tonnes



World Regional Pellet Production - 2013

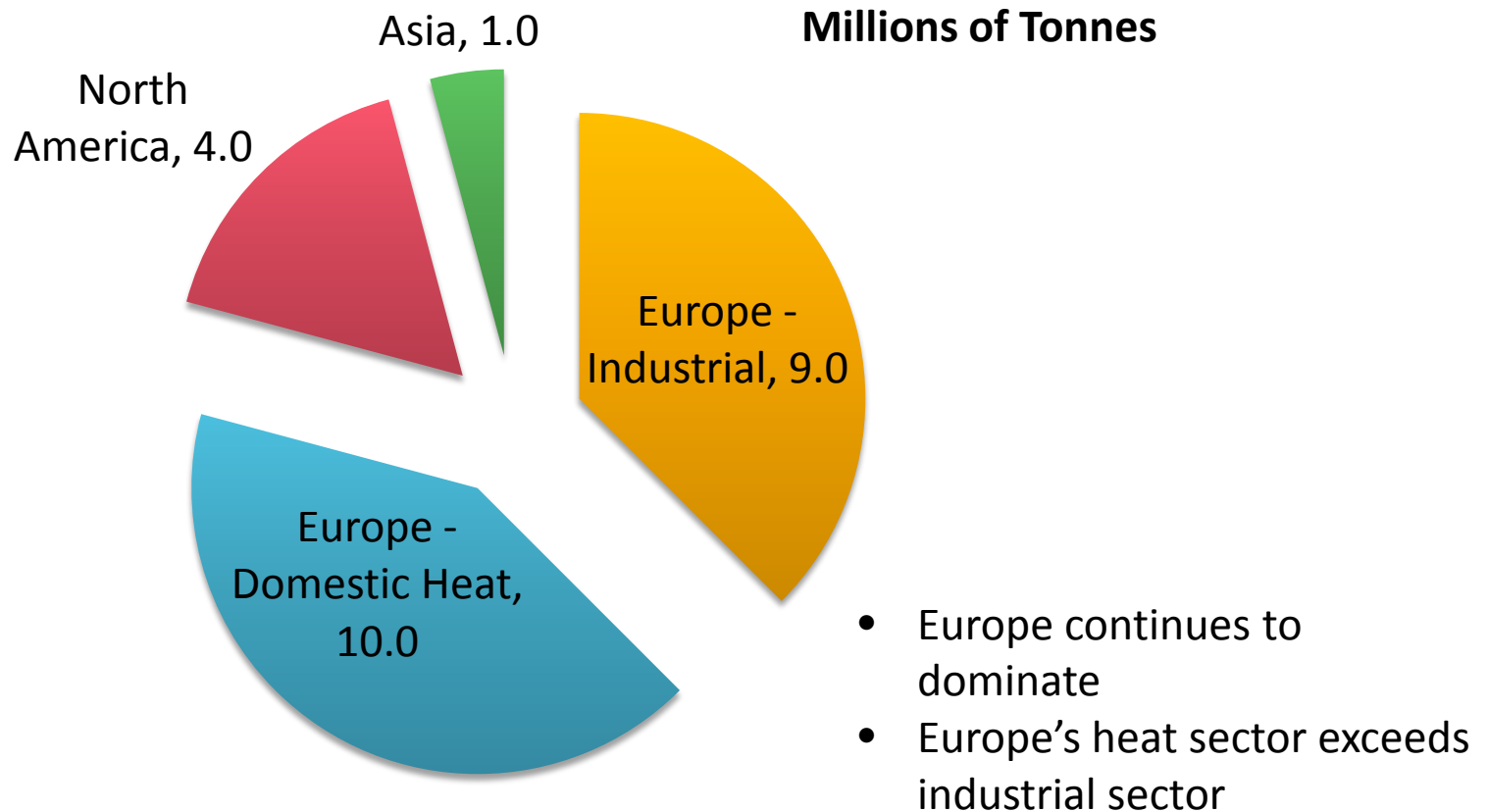
Top European Producers:

Germany
Sweden
Latvia
Portugal



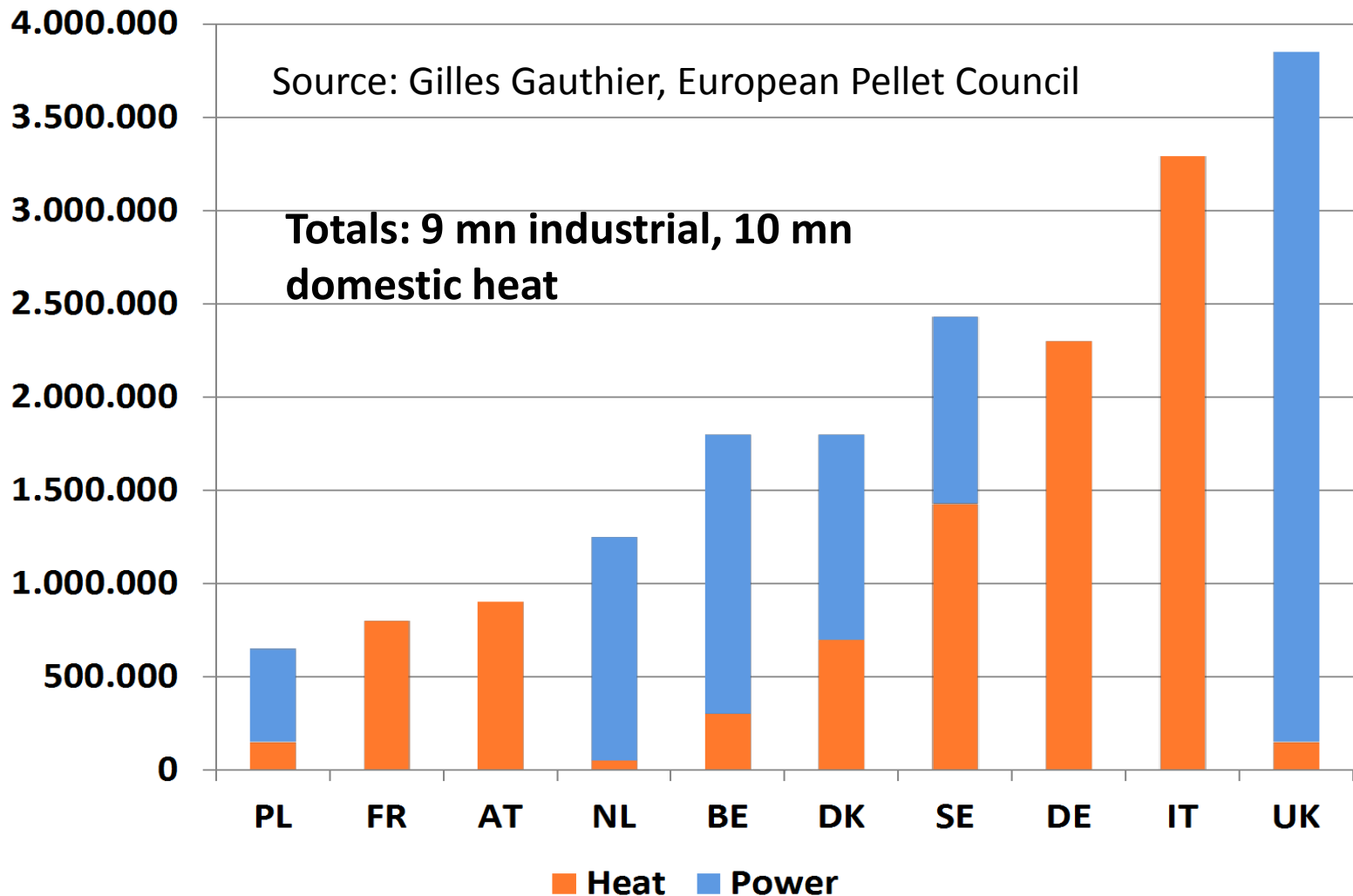
Sources: REN21 Global Status Report 2014, Argus Media

World Regional Pellet Consumption - 2013



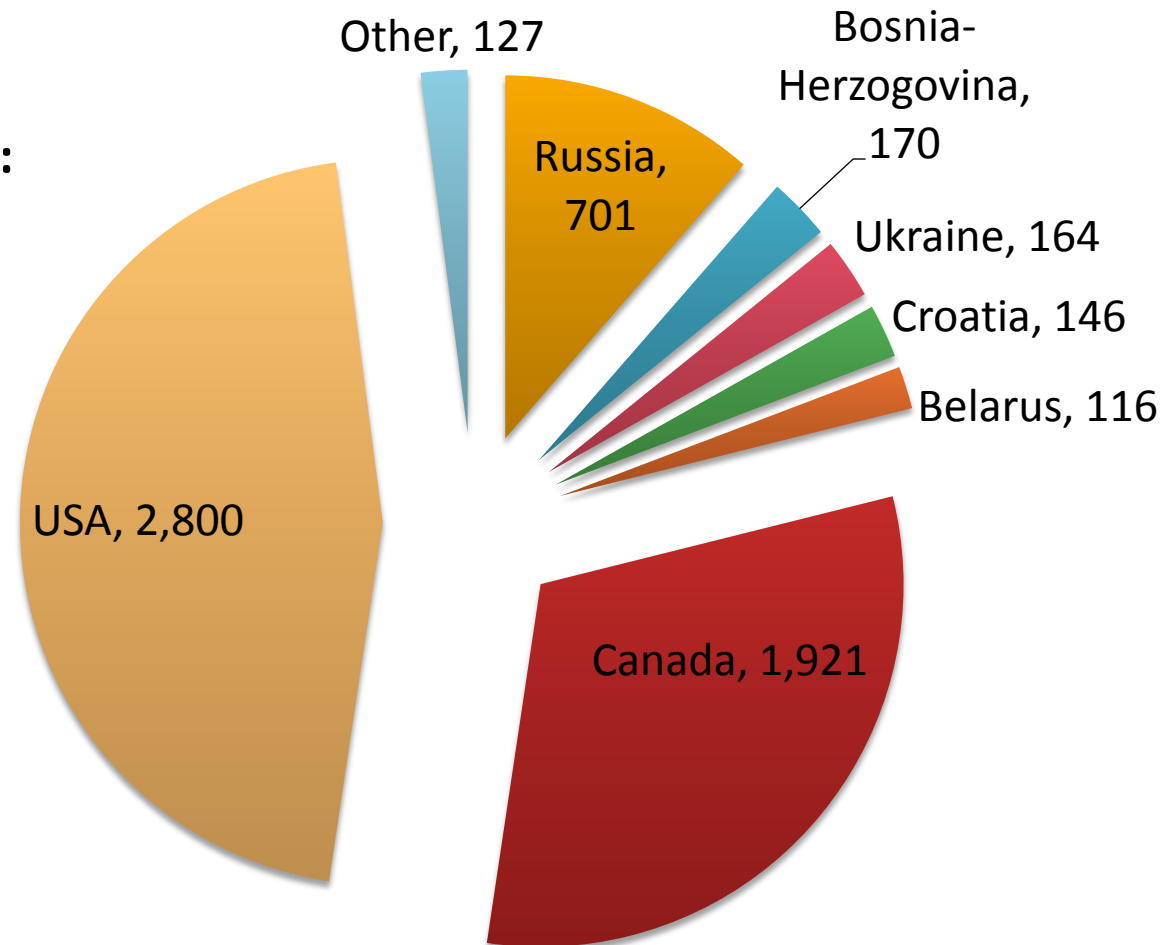
Sources: Argus Media, Ekman

European Consumption – 2013 (tonnes)



EU Imports of Wood Pellets from Non-EU Countries - 2013

**Total non-EU imports:
6.1 mn tonnes**

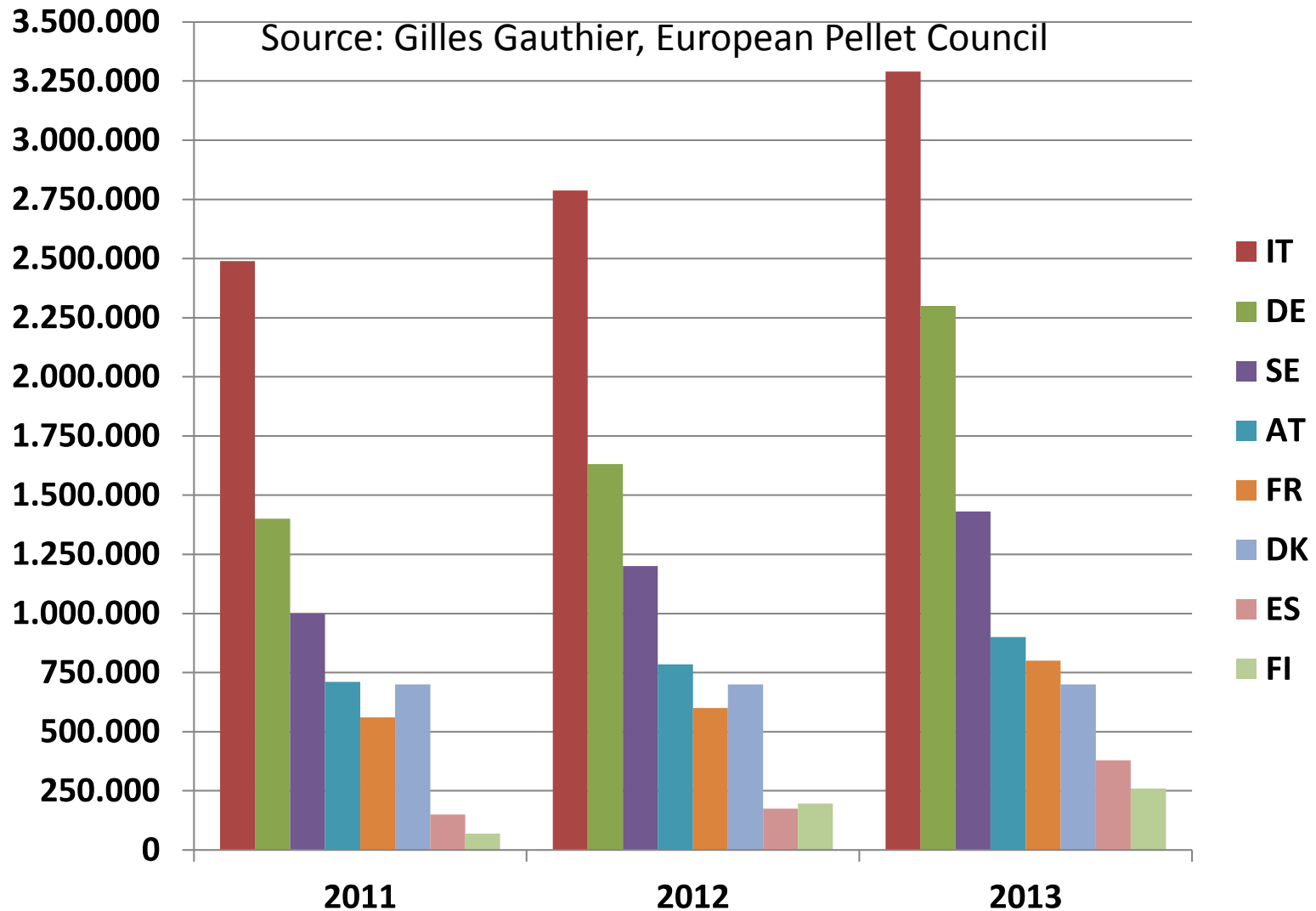


Source: Crosstrade (German Timber Network)

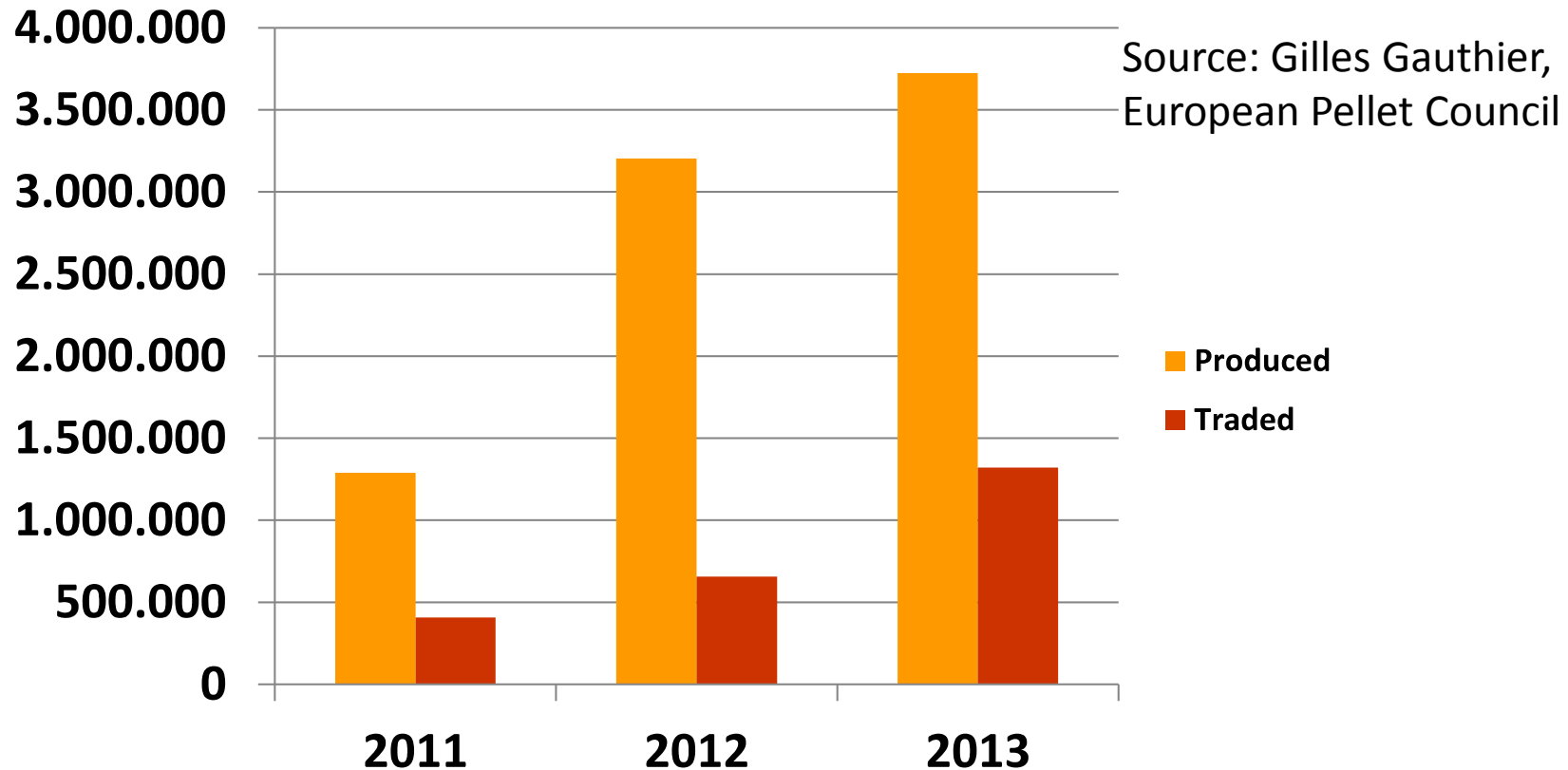
UK and Benelux power projects under construction or planning

- UK – Drax Power, 3-650 MW units each 2.4 mn tonnes of pellets. 2 units completed, 3rd planned for 2015. 4th unit under study.
- UK – Lynemouth Power, 420 MW, received FID contract, 1.5 mn tonnes pellets.
- Belgium – EON Langerlo, 500 MW, 1.6 mn tonnes, construction 2015
- Netherlands – 25 PJ, 3.5 mn tonnes, 2014

European Heat Market Growth (tonnes)



European Growth of Enplus Certification (tonnes)



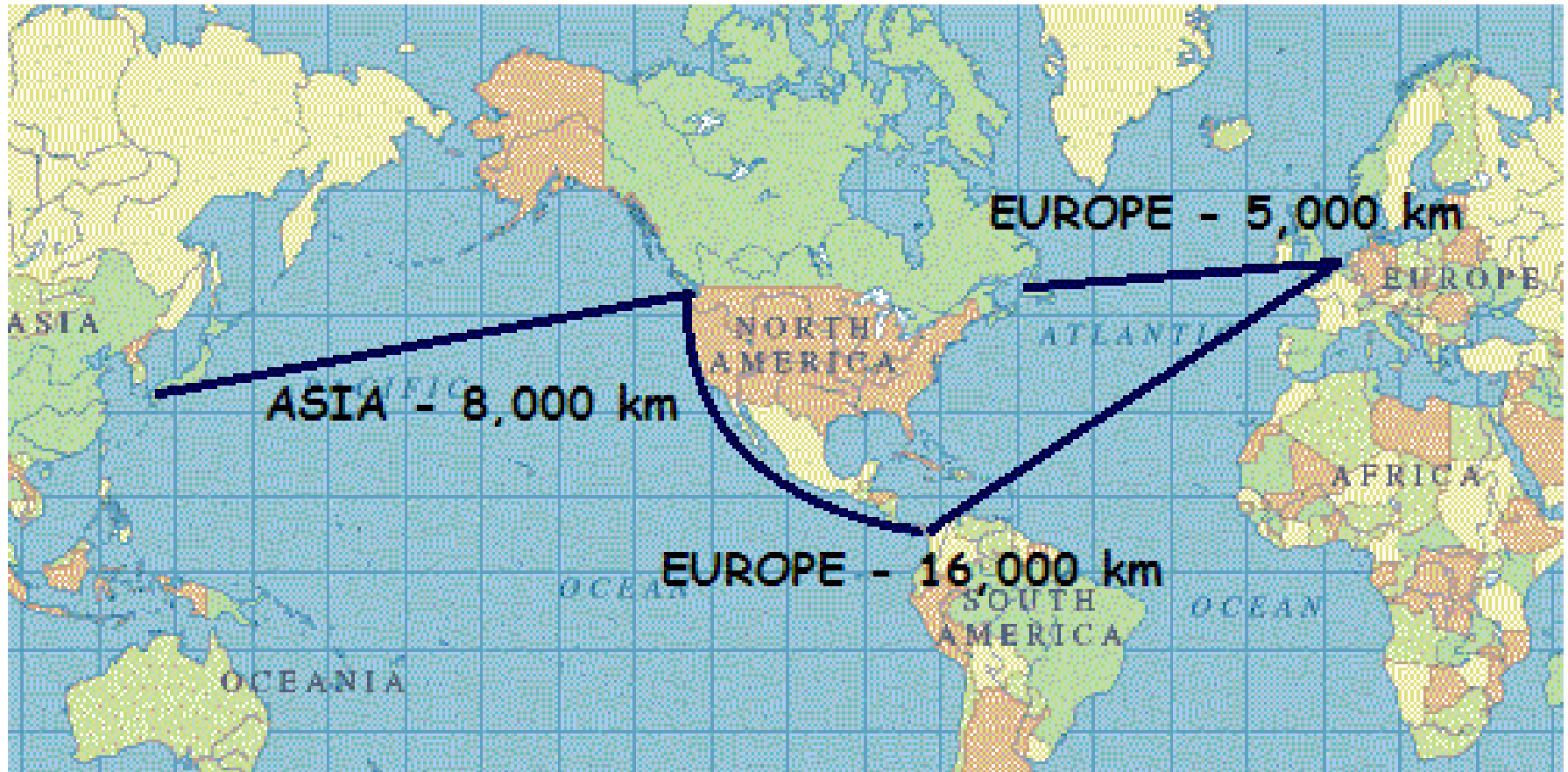
40% of all heating pellets are now ENplus certified

Developments in Asia-Pacific

- Demand in Japan and Korea is growing
- Policy uncertainty is high.
- Asia-Pacific and Russian pellet producers have transportation advantage over NA.
- European utilities now trading to Korea

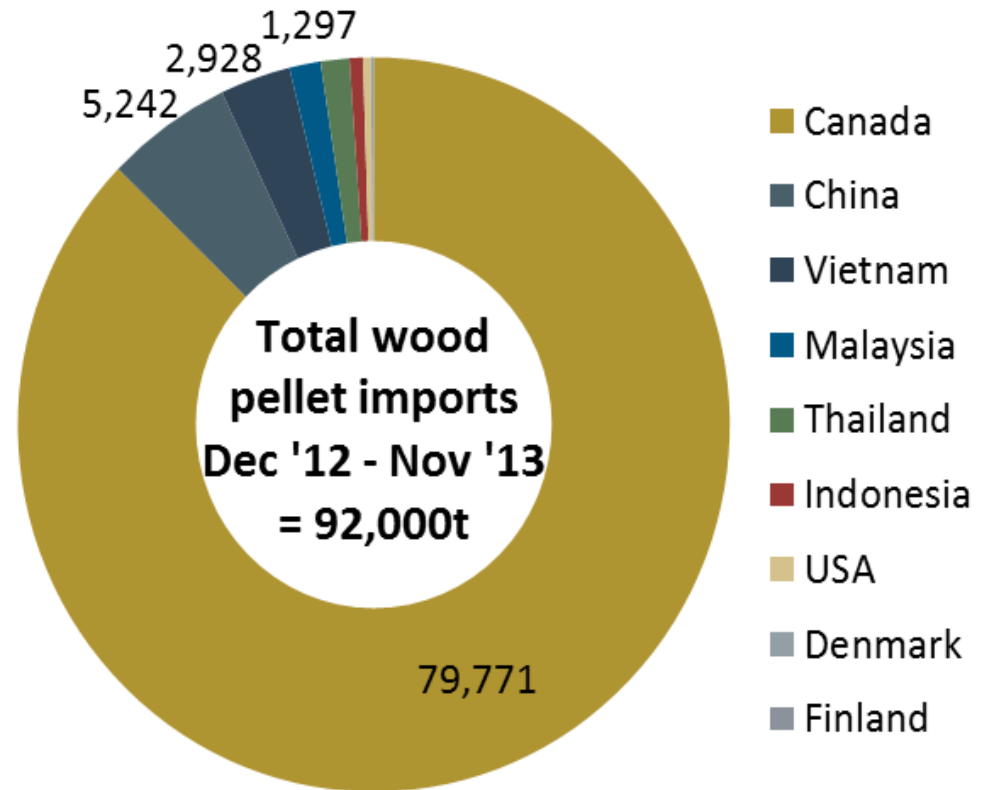


Canadian Pellet Shipping Routes



Japanese Wood Pellet Market

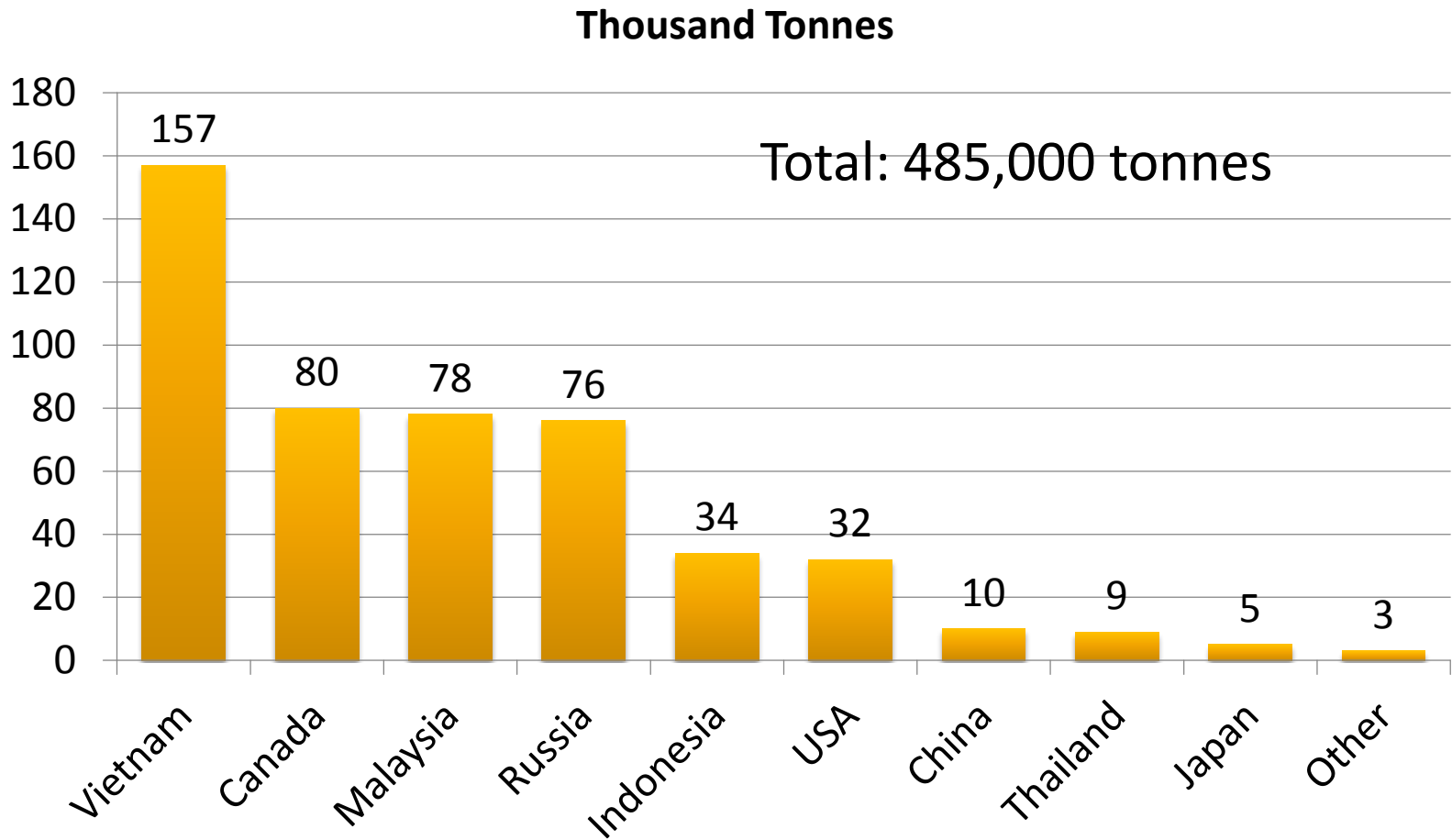
- Preference for local biomass chips
- Wood pellet imports still modest
- 2013 demand ~ 170,000 tonnes
- 65kt in heat sector; 110 kt in industrial sector
- Pellet imports will grow



Source: Trade Statistics of Japan, Ministry of Finance and Tradeviews

Source: Hawkins Wright, 'The Outlook for Wood Pellets', April 2014

South Korean Pellet Imports - 2013



Source: Hawkins Wright

South Korean RPS

RPS의무이행비율 증가폭 변경안

연 도	2012	'13	'14	'15	'16	'17	'18	'19
기 존	2%	2.5	3.0	3.5	4.0	5.0	6.0	7.0
변경안	2%	2.5	3.0	3.5	4.0	4.5	5.0	5.5
연 도	'20	'21	'22	'23	'24	'25	'26	'27
기 존	8.0	9.0	10.0					
변경안	6.0	6.5	7.0	7.5	8.0	8.5	9.0	10

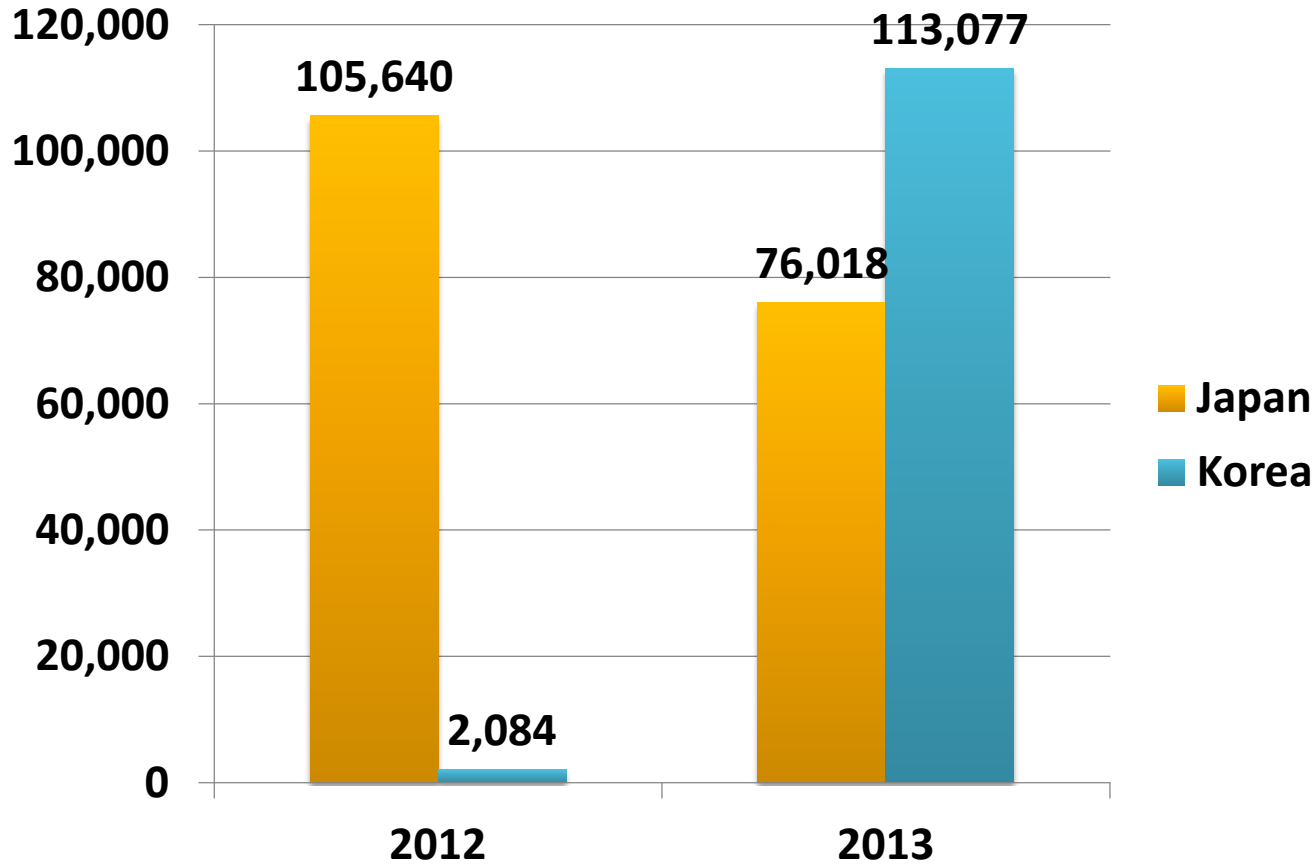
Target now delayed five years

Source: Jae Jung Huh, BC Investment Trade Office, Seoul Korea

Korean Invitations to Bid for Wood Pellet Supply

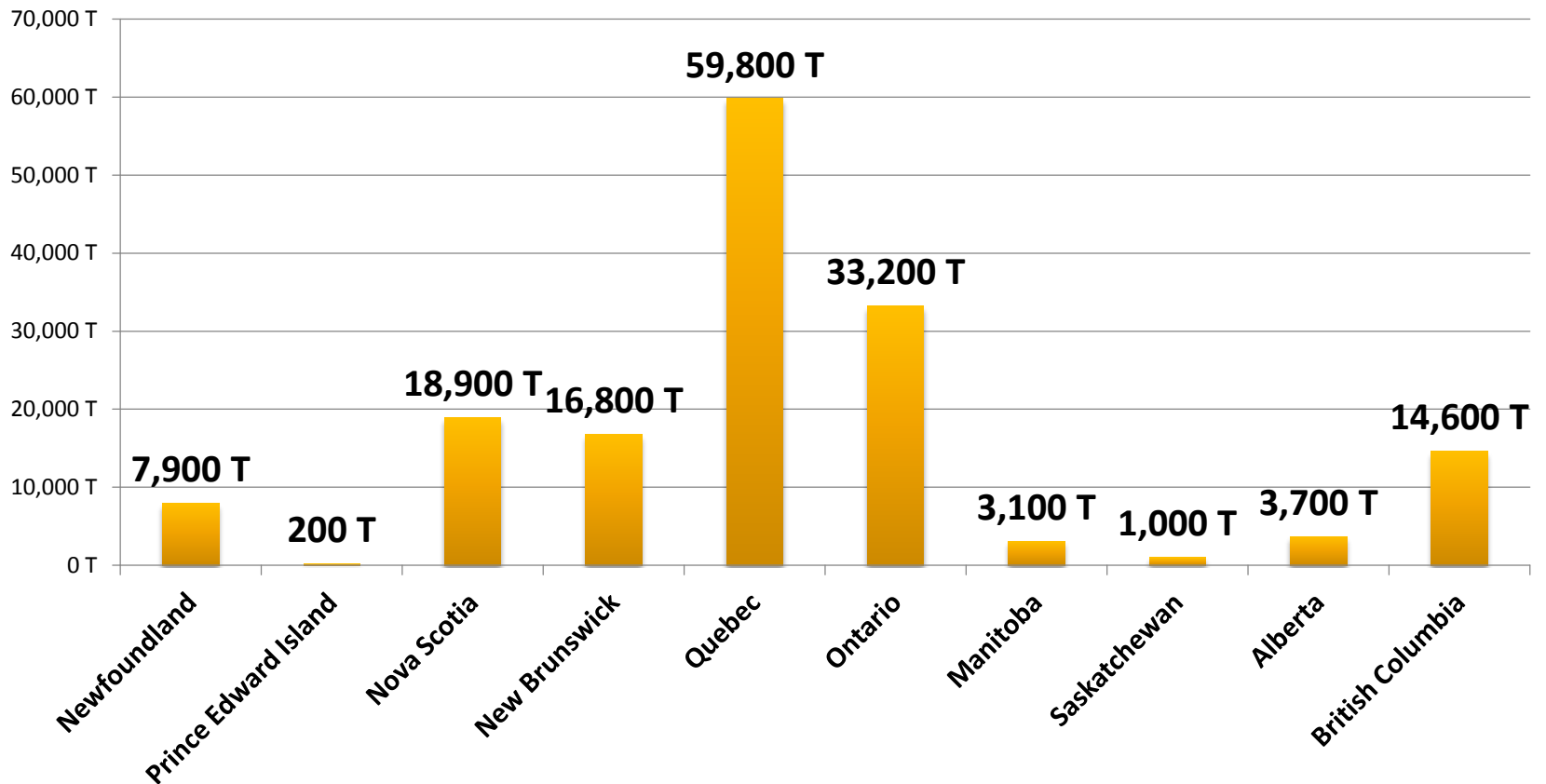
Company	Co-firing Station	Quantity, t	Delivery Time Scale
KOMIPO	Bonyeong	167,000	Up to end August 2014
KOSPO	Hadong	285,000	Up to December 2016
EWP	Dangjin	30,000	Up to end August 2014
KOWEPO	Tae-an	210,000	Up to end December 2014
KOSEP	Samcheonpo, Yeonheung, Yeosu	228,000	Up to end August 2014
TOTAL		920,000	

Canadian Exports to Asia (tonnes)



Source: Statistics Canada

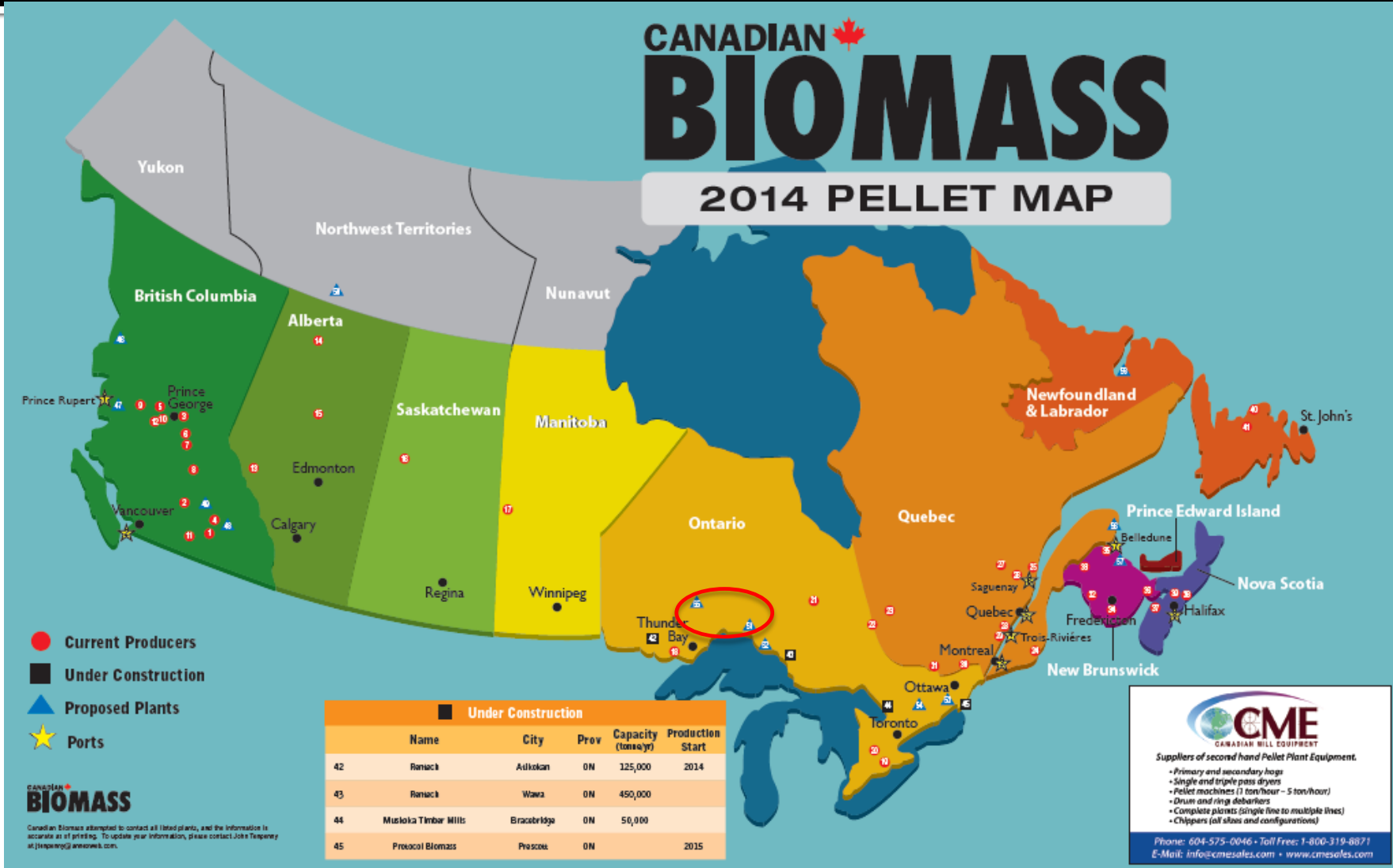
Canadian Annual Domestic Wood Pellet Consumption - tonnes



1. Calculated using data from Stats Canada & HPBA Canada
2. 176,500 tonnes for all of Canada annually

Canadian pellet plants

CANADIAN BIOMASS 2014 PELLET MAP



Export terminals Panamax Ready!

Existing: Vancouver, Halifax, Belledune, Trois-Rivières, Montréal

New:

Quebec Stevedores
75000 tonnes
Quebec City



Westview Pellet Terminal
60000 tonnes (Phase 1)
Prince Rupert BC



Power Generation conversion (OPG) Attikokan 200MW power plant (90Kmt/yr)



Sustainable Biomass Partnership

Partners



“Participating Observers”

EIPS, USIPA, & WPAC

Implementation

- Pilot audits complete
- Full-scale audits begin in July 2014
- Each generator decides how to implement with their pellet suppliers
- Dependent on existing long-term contracts

Conclusions

- The general market outlook is positive
- Europe will continue to dominate with heat and power sectors growing at similar rates
- Asia is showing promise after a slow start
- North America will grow slowly
- SBP certification will be initially confusing, but is designed to greatly reduce workload

Thank you!

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Quebec Wood
Export Bureau



November 17-19

Vancouver Marriott Pinnacle Hotel

Vancouver BC

