

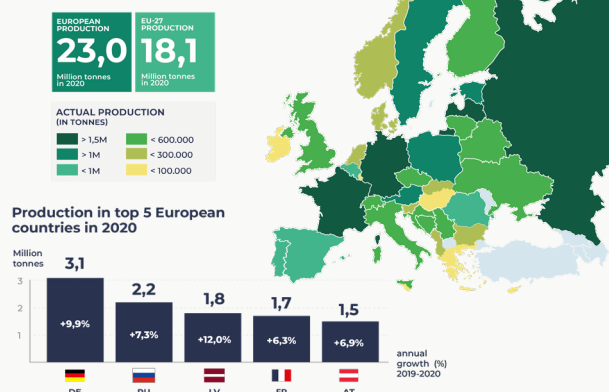
# PELLETS

Wood pellets are a sustainable solution contributing to the EU's climate and energy goals. Their production actively supports the development of regional economies and creates local jobs and added value, especially in rural areas. The global

pellet production is consistently growing, with a year-on-year increase of 5% between 2019 and 2020. At the same time, the EU experienced a 4% growth reaching a production of 18Mt, being the world largest pellet producer followed by Canada.

## EUROPEAN/EU-27 WOOD PELLET PRODUCTION

(IN 2020, TONNES, %) SOURCE: EPC SURVEY 2021

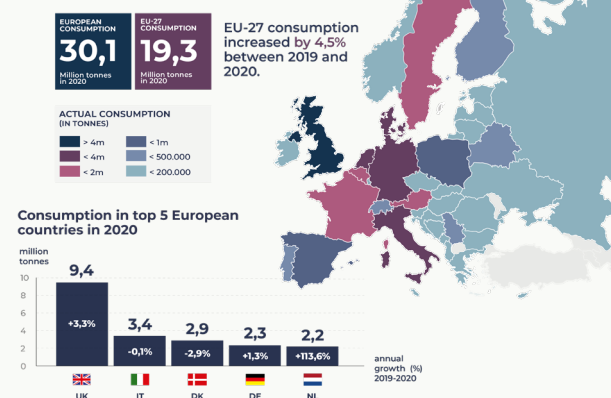


Note: 2020 production is a replication of 2019.

Source: EPC survey 2021; FAO; Future Metrics; Bioenergy International

## EUROPEAN/EU-27 WOOD PELLET CONSUMPTION

(IN 2020, TONNES, %) SOURCE: EPC SURVEY 2021, HAWKINS WRIGHT

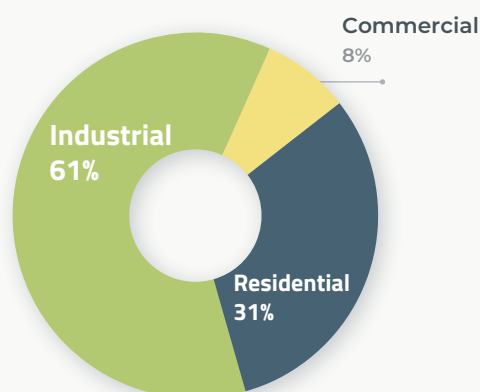


Note: EE, LT, UK, NO & RU: 2020 consumption is a replication of 2019.

RU: 2020 residential consumption is a replication of 2019

Source: EPC survey 2021; Hawkins Wright

## 2020 EU-27 pellet consumption by type of end use



Note: EE, LT, UK, NO & RU: 2020 consumption is a replication of 2019.

RU, JP, KR: 2020 residential consumption is a replication of 2019.

Source: EPC survey 2021; Future Metrics; FAO; Hawkins Wright

Pellets are a true example of resource efficiency and circularity, given that the main source of feedstocks for this sector are wood residues such as sawdust. Some barriers, especially on investments and logistics, still need to be overcome, although there is already significant potential for further expansion of sustainable pellet production worldwide and in Europe.

Looking at consumption, the use of pellets increased by 7% globally compared to 2019, with the EU-27 being the largest pellet user. The industrial sector represents 61% of the pellet consumption whilst the domestic segment accounts for the remaining 39% (31% for residential and 8% for commercial uses). Germany is the largest producer in the EU, given also its strong domestic heating market, whilst Czechia in 2020 experienced a remarkable increase of 21,5% in the last year.

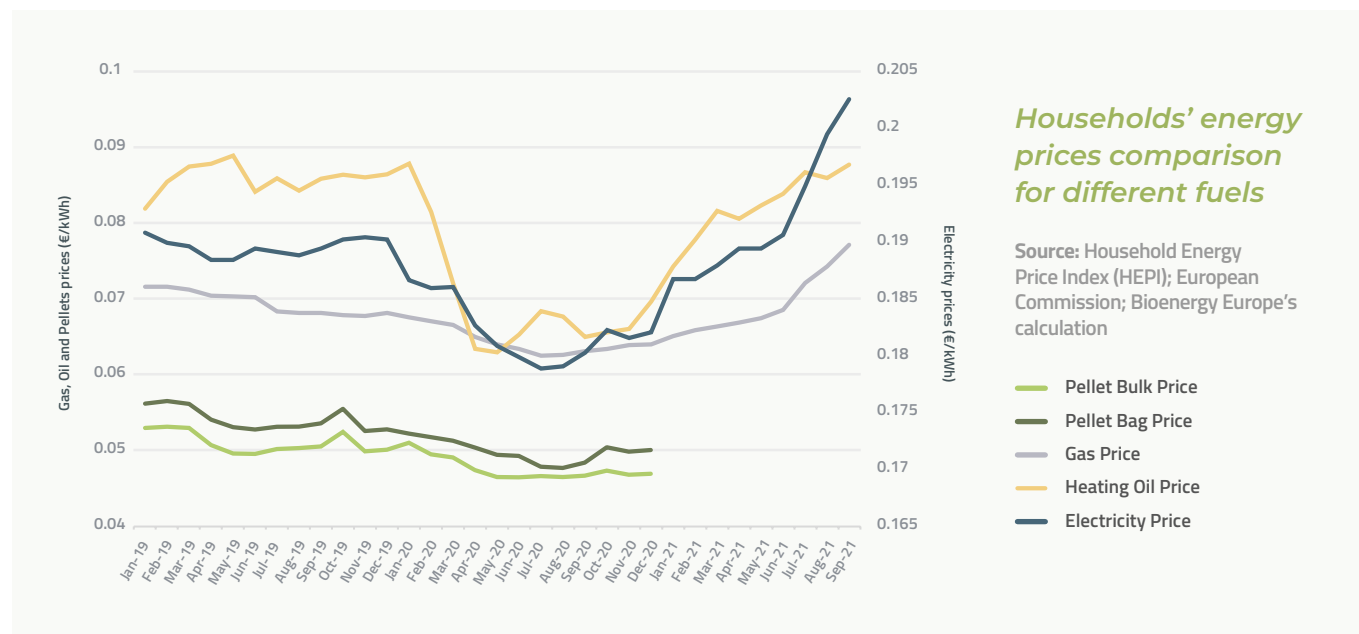
## Challenges & Opportunities from COVID-19 and Energy Price Crisis

The pellet sector showed great resilience to the COVID-19 pandemic and had no significant setback. The pandemic impacted the sawmills' activity and reduced the availability of the pellet feedstock. Nevertheless, this was counterbalanced by external factors (such as bark beetle outbreaks) which increased the available feedstock and levelised the price, given that bioenergy is one of the few uses that can be made of low-quality or pest damaged wood.

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The recent soaring electricity and gas prices put the issue of the EU's dependency on natural gas imports once again in the spotlight. This situation poses several challenges, the most obvious ones are rising energy bills for households and decreasing competitiveness of the European industry. In this context, bioenergy is a ready and affordable option to decarbonise several sectors in a cost-effective way.

Over the years, the prices for gas and electricity have been dramatically increasing. The pellet price however has remained stable, which makes it one of the most suitable solution to tackle Europe's energy dependency issue. On top of this, the pandemic brought even new opportunities for the sector given that wood construction is steadily increasing, creating a surplus of residues than can be pelletised and used for energy purposes.



## Bioenergy: a Reliable and Flexible Solution for all Sectors

Heating and cooling are responsible for half of the EU's energy consumption, and the decarbonisation of this sector must be a priority to achieve carbon neutrality by 2050. This can only be possible with a clear strategy to phase out fossil heating. Pellets provide sustainable, efficient, and secure options for the decarbonisation of households, districts, and industrial processes. In most countries, due to their lower price compared to fossil alternatives like heating oil, gas or coal, pellets offer an optimal solution to address energy poverty. Recent initiatives to phase out the use of heating oil such as in Austria, France are game changing policies to successfully lead us to decarbonisation of the heating sector.

## Recommendations

1. A **stable policy framework** is essential to provide a long-term perspective to companies to further **invest in pellet production and use**, and thus help to further increase climate change mitigation efforts.
2. The utilisation of the **Social Climate Fund** will allow citizens to switch from fossil appliances to modern and efficient pellet solutions. This will help a faster deployment of renewables and limit air pollutant emissions, whilst shielding vulnerable consumers from energy poverty.
3. A **progressive ban of fossil fuels for heating** is a very effective policy to consider for a fast energy transition.