

Wood Pellet Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 142 pages | Mordor Intelligence

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Report description:

The wood pellet market is estimated to be USD 10.52 billion in 2020, and it is expected to reach USD 16.75 billion by 2027, at a CAGR of 7.28% during 2022-2027. Due to the COVID-19 pandemic, the market witnessed reduced demand and shortages of raw materials. However, Asia significantly had a low impact due to the already existing oversupply and suppressed consumption. The primary drivers for the market include increasing demand for wood pellets in clean energy generation, especially in the European region. However, the adoption and increasing deployment of alternative renewable energy sources such as solar photovoltaic, wind energy, and geothermal in various parts of the world is likely to hinder the market growth during the forecast period.

Key Highlights

The heating application held a significant market share in 2021, and it is likely to dominate the market during the forecast period. As per the World Bioenergy Association, wood pellets have the potential to replace coal in power generation facilities. With technology development in recent years, wood pellets have undergone some thermal upgrading through various processes like torrefaction, hydrothermal carbonization, and steam explosion. The thermal upgrading enables wood pellets to act as a fuel with coal properties. The Asia-Pacific region with the highest number of coal power plants in the world is expected to be an opportunity for the market to grow in the near future.

With a significant production of wood pellets during 2021, Europe is expected to dominate the market during the forecast period.

Wood Pellet Market Trends

Heating Application Expected to Dominate the Market

Pellets are a solid biomass fuel, primarily produced from wood residues and agricultural by-products like straw. Specific advantages of pellets as compared to unprocessed biomass include standardized properties, high energy content, and high

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density.

Wood pellets for heating applications are primarily used in residential and commercial sectors for food, cooking and grilling, and supplying heat to homes. Since the cost of pellets remained cheaper than that of other fuels for a long time, it has become a more economical option, addressing the primary concern of the residential and commercial sectors. In addition to this, in 2020, the wood pellets, due to oversupply, experienced a sharp decline in their prices.

As a renewable energy source, wood pellets have received subsidies and incentives from the governments in many countries, and many countries either launched or updated their policies and schemes related to wood pellets for heating applications in recent years.

For instance, in January 2021, a new Wood and Pellet Heater Investment Tax Credit (ITC) came into effect in the United States, under which consumers buying highly efficient wood, pellet stoves, or larger residential biomass heating systems can claim a 26% tax credit that is uncapped and based on the full cost (purchase and installation) of the unit.

On a similar note, from April 2021, the United Kingdom amended its Domestic Renewable Heat Incentive (Domestic RHI) of 2014 to aim at promoting the use of renewable heat at residential levels. Within the amendment, the Department for Business, Energy & Industrial Strategy (BEIS) announced the relaxation of the requirement for accreditation applications to be submitted within twelve months of the eligible heating system's commissioning date. In addition, the participants whose heating system was commissioned on or after March 1, 2019, became eligible to apply for the Domestic RHI until the scheme closes to the new applications on March 31, 2022.

Therefore, owing to the above points, the heating application is expected to dominate the wood pellet during the forecast period.

Europe to Dominate the Market

In Europe, the demand for wood pellets is expected to increase by 30-40% between 2021 and 2026. Europe represents more than 50% of global pellet demand. As of 2020, European nations' use of pellets includes residential heating (40%), power plants (36%), commercial heating (14%), and combined heat and power plants (10%). Moreover, pellets have also made their way into coal conversion projects in local authority or public administration buildings such as schools and offices.

As of 2020, most of the co-firing power stations have either closed or converted since these early projects, with several making a move to 100% wood pellets for fuel. The largest of these is Drax Power Station in North Yorkshire, which has converted four of its six 65 MWe generating units to run exclusively on biomass and is currently evaluating options for its remaining two coal-fired units.

As of 2020, sawmill residues make up 85% of the mix for wood pellet production, followed by roundwood (13%) and recovered wood (2%). Although the wood residues are likely to remain an important feedstock, especially in northern and western Europe, they will not be sufficient to meet the future fiber demand from the growing wood pellet sector.

Further, technological advancements in the market in the region are also likely to increase the demand for wood pellets during the studied period.

Hence, owing to the above points, Europe is expected to dominate the market during the forecast period.

Wood Pellet Market Competitor Analysis

The wood pellet market is moderately consolidated. Some of the key players in the market include Enviva Partners LP, AS Graanul Invest, Drax Group Plc, Fram Renewable Fuels LLC, Segezha Group JSC, and Lignetics Inc., among others.

Additional Benefits:

The market estimate (ME) sheet in Excel format

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Table of Contents:

1 INTRODUCTION

1.1 Scope of the Study

1.2 Market Definition

1.3 Study Assumptions

2 EXECUTIVE SUMMARY

3 RESEARCH METHODOLOGY

4 MARKET OVERVIEW

4.1 Introduction

4.2 Market Size and Demand Forecasts in USD billion, till 2027

4.3 Recent Trends and Developments

4.4 Government Policies and Regulations

4.5 Market Dynamics

4.5.1 Drivers

4.5.2 Restraints

4.6 Supply Chain Analysis

4.7 Industry Attractiveness - Porter's Five Forces Analysis

4.7.1 Bargaining Power of Suppliers

4.7.2 Bargaining Power of Consumers

4.7.3 Threat of New Entrants

4.7.4 Threat of Substitute Products and Services

4.7.5 Intensity of Competitive Rivalry

5 MARKET SEGMENTATION

5.1 Application

5.1.1 Heating

5.1.2 Power Generation

5.2 Geography

5.2.1 North America

5.2.2 Europe

5.2.3 Asia-Pacific

5.2.4 South America

5.2.5 Middle-East

6 COMPETITIVE LANDSCAPE

6.1 Mergers and Acquisitions, Joint Ventures, Collaborations, and Agreements

6.2 Strategies Adopted by Leading Players

6.3 Company Profiles

6.3.1 Enviva Partners LP

6.3.2 AS Graanul Invest

6.3.3 Drax Group PLC

6.3.4 Fram Renewable Fuels LLC

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- 6.3.5 Segezha Group JSC
- 6.3.6 Lignetics Inc.
- 6.3.7 Biopower Sustainable Energy Corp.
- 6.3.8 Asia Biomass Public Company Limited

7 MARKET OPPORTUNITIES AND FUTURE TRENDS

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