Canadian Wood Pellet Opportunities

Canadian Wood Pellet Seminar
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Outline

- Canadian wood pellet industry
- Canadian forests
- Fibres supply for pellets
- Factors affecting the cost of Canadian wood pellets
- Canadian export destinations
- Canadian interest in doing business in Japan and South Korea
Canada’s Wood Pellet Industry

- 44 wood pellet plants
- 4,000,000 tonnes annual capacity
- 1,000,000 tonnes new capacity, last 18 months
- 400,000 tonnes under construction
- Two west coast export terminals
Western Canadian Pellet Plants

1. Canfor/Pacific Bio – Fort St John
2. Canfor/Pacific Bio – Chetwynd
3. Pinnacle/Canfor – Houston
4. Pinnacle – Burns Lake
5. Premium Pellet – Vanderhoof
6. Pacific BioEnergy – Prince George
7. Pinnacle – Meadowbank
8. Pinnacle – Quesnel
9. Pinnacle – Williams Lake
10. Pinnacle – Armstrong
11. Princeton Pellet - Princeton
12. Pinnacle/Tolko – Lavington
13. Diacarbon – Merritt
14. La Crete Sawmills – La Crete
15. Pinnacle – Entwistle
16. Foothills FP – Grande Cache

= 3 million tonnes annual capacity
Canada’s Forests

9% of the world’s forest cover

347 M Hectares of forest
Global Forest Area

Data source: FAO, Global Forest Resources Assessment 2015.
Sustainable Supply

Wood harvested (million m³)

- Softwood supply
- Hardwood supply
- Softwood harvest
- Hardwood harvest
- Total wood supply
- Total harvest

Year: 2004 to 2014
Wood Pellet Fibre Sources

Sawmill residues
- sawdust and shavings
- Typically not wood chips

Logging residues

Fibre supply is usually obtained from sawmill companies
Financing a Canadian Pellet Plant

- Secure raw material supply – typically through agreements with sawmill companies
- Proven technology – plant design and equipment
- Management team
- Secure multi-year offtake agreement (incompatible with tendering)
Costs of Producing High Quality Pellets

- Sustainability
- Environmental regulations
- Rule of law and fair treatment of workers
- Health and safety
- Quality control
Canada’s competition in Vietnam
Canada’s competition in Vietnam
Canadian export destinations (1,000 T)

- **2016 exports:** 2.4 million tonnes
- **2015 exports:** 1.6 million tonnes

**Bar Chart:**
- **UK:** 983 (2014), 1,206 (2015), 1,664 (2016)
- **Belgium:** 107 (2014), 228 (2015), 144 (2016)
- **Japan:** 62 (2014), 80 (2015), 272 (2016)
- **Italy:** 86 (2014), 73 (2015), 205 (2016)
- **S Korea:** 150 (2014), 49 (2015), 49 (2016)
Wood Pellet Procurement Options

- Tendering & short-term contracts are chaotic, destructive to suppliers, and do not support development of a reliable supply chain.
- Canadian producers are seeking long term contracts with reliable customers to build durable relationships. This will enable capital investment, risk sharing, and the establishment of sustainable supply chains.
Canada’s Experience in Asia

- Japanese customers have valued high quality, reliable, sustainable supply – long term contracts.
- South Korea customers have used short term tenders. Low cost is highest priority. Quality, sustainability, and supplier relationships have been secondary.
- South Korean customers now starting to show interest in long term supply.
Canadian Producer Reaction

- Strong desire to continue to grow wood pellet trade with Japan.
- Uncertainty about South Korea. Canadian producers are being cautious.
Conclusions

- Canada has a vast forest resource
- Canada is a leading exporter of high quality, sustainable wood pellets
- We are interested in long term sustainable business relationships
- Asia is highly attractive, especially Japan
Thank you!

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