

Looking to Europe for bioenergy sales

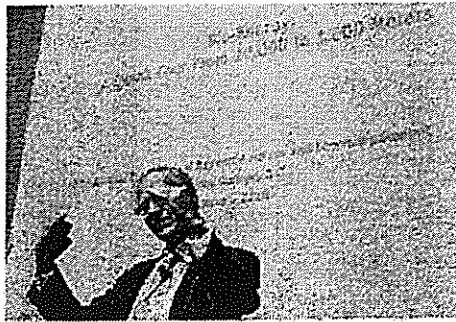
By Arthur Williams - Prince George Free Press

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As the B.C. forest sector moves into the bioenergy sector it will face substantial competition from heavily subsidized bioenergy producers in the U.S., according to leading analyst Don Roberts.

Roberts is the managing director of CIBC World Markets, former chief economist for the Canadian Forest Service and internationally recognized



Arthur WILLIAMS/Free Press Forest industry analyst Don Roberts speaks at the Natural Resources Forum in Prince George last week.

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forest industry analyst. He was one of the keynote speakers at the Natural Resources Forum held in Prince George last week.

"We're not the only game in town," Roberts said. "The (U.S. Department of Agriculture) is looking at paying up to \$45 per ton for collecting and harvesting biomass. Given the (U.S. subsidy) program, we've got expensive biomass. We can't match them dollar for dollar, recognize that."

However that doesn't mean B.C. can't develop a successful bioenergy sector, he said. Integrating bioenergy production with traditional forest industries and capturing extra value in the form of biochemicals will be critical to the success of a bioenergy industry here.

The price of fossil fuels, price of carbon, conversion technology, cost of feedstock, and public policy are the major determinants of success in the bioenergy sector, Roberts said.

"The cost of quality feedstock is 50 to 80 per cent of variable costs," he said.

Currently the top producers of liquid biofuels like ethanol and biodiesel are the U.S. and Brazil. The European Union and China lead the world in use of bioenergy – wood pellets, burning biomass, biomass gasification and other non-liquid applications.

Both the U.S. and China have set ambitious targets for biomass and biofuel use, Roberts said, which they are unlikely to reach. Although significant producers, both the U.S. and China are unlikely to be able to meet their domestic demand in the long term.

However, the European Union has the best potential as a short-term market for Canadian wood pellets and biomass, he said.

A recent study predicts the EU will have a wood deficit of 320-450 million cubic metres per year by 2020 to meet its renewable energy objectives and demand for wood products, he said.

"They need another Canada, and there are not a lot of those on the shelf," Roberts said.

Currently Europe imports 900,000 tonnes of wood pellets from Canada, however Australia and the U.S. are expected to begin exporting significant quantities of pellets to Europe in the coming decade.

"The fastest-growing source of bioenergy in the world is wood pellets," Roberts said.

The United Kingdom already has 12 projects underway to convert coal power plants to burn a mixture of coal and wood pellets. The projects will generate the equivalent of 2.7 gigawatts of power from pellets – consuming 12 million tonnes of pellets per year.

The Ontario Power Generation intends to perform a similar conversion on its coal-fired power plants, increasing domestic demand, Roberts said.

Roberts was part of a detailed analysis of 27 forestry and energy products to determine the payback on capital invested.

"Integrated facilities work best. The production of commodity bioenergy really has to be a core focus for the forest sector, not just a sideline like it is now," he said. "The lumber sector pays the freight to get the other wood out."