

CN wood pellet traffic grows

Nov. 6, 2009, Montreal – CN rail is on track to haul more than 800,000 tons of wood pellets this year and sees more opportunities in the future for this source of heating energy.

“Since 2005, we have experienced a 16% compounded annual growth in our wood pellet traffic, and we see growing potential for this business in domestic and international markets,” says James Foote, executive vice-president of sales and marketing. “Our network has direct access to wood pellet production areas and reaches key consumption markets in eastern Canada and the northeastern United States, as well as key export terminals on the Pacific, Atlantic, and Gulf coasts.”

Major power plants and residential consumers in North America, Europe, and Asia are turning to wood pellets as an alternative to fuel oil, gas, or electricity to heat homes. In addition, wood pellets are being used increasingly in industrial applications such as district heating plants, greenhouses, and cement and aluminum production facilities. Global wood pellet production in 2008 was almost 11 million tons, and some analysts believe worldwide production could double by 2014. North American consumption is expected to exceed 3.3 million tons in 2010.

Canada's 29 wood pellet plants have a combined production capacity of approximately 2.2 million tons. Most producers are located in British Columbia, with some in Alberta and Quebec. Facilities are also opening on CN lines in Wisconsin and Mississippi this year, and the first major Ontario producers are expected to start production in 2010. CN serves Ontario Power Generation's Atikokan generating station in northwestern Ontario, which is targeted for conversion from coal to biomass.

CN's network reach and solid service are critical factors in the growth of a number of wood pellet producers. For example, Granules LG in Quebec is building a rail connection to its plant, which will allow direct rail loading instead of trucking to a nearby reload facility. Direct access to CN will lower the producer's transportation costs and improve its competitiveness in the market. Pinnacle Pellet operates five plants in British Columbia, all located on CN's network. CN's network reach enables this producer to ship product for export via the ports of Prince Rupert and Vancouver and to reach domestic markets across Canada and the U.S. Midwest and northeast.

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