USDA United States Department of Agriculture
Foreign Agricultural Service

GAIN Global Agricultural Information Network

Voluntary Report – Voluntary - Public Distribution **Date:** May 26,2020

Report Number: NL2020-0017

Report Name: Dutch Wood Pellet Imports Surge to a New Record in 2019

Country: Netherlands

Post: The Hague

Report Category: Biofuels, Wood Products

Prepared By: Bob Flach

Approved By: Christopher Riker

Report Highlights:

In 2019, the Netherlands doubled its wood pellet imports to a new record of 1.22 million metric tons (MMT). Imports are forecast to double again this year based on Dutch power companies' co-firing plans. The majority of Dutch pellets were sourced from the Baltic States, followed by Russia and the United States as the leading non-European suppliers. The Dutch Ministry of Infrastructure and Water Management has requested two Dutch government agencies investigate the long-term role of biomass for the circular economy and whether or not it is necessary to implement a new sustainability framework for biomass.

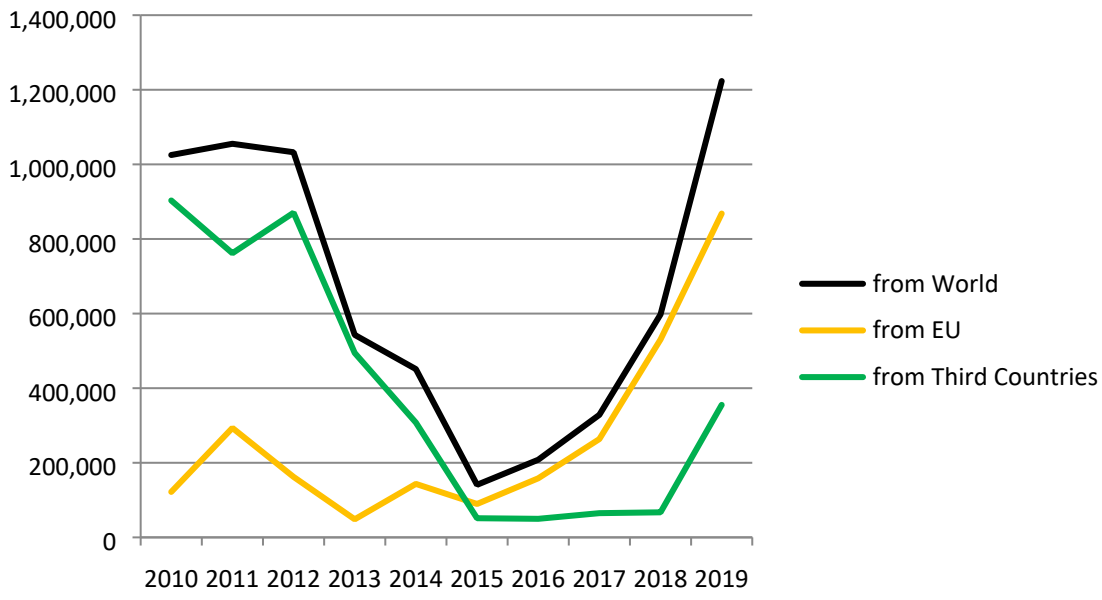
Introduction

In 2013, the Dutch Energy Accord (the Accord) was concluded, which includes financial support for the generation of renewable energy. Since the agreement, industry sources report the Dutch government has allocated €3.63 billion ($4 billion) in stimulation of Sustainable Energy Production (SDE+) funds for the co-firing of wood pellets with coal (in addition to funds for other renewable energy projects). Each power company's SDE+ allocation for co-firing is eligible for a period of eight years. The Accord capped Dutch co-firing at 25 Gigajoule per year, equivalent to roughly 3.5 million metric tons (MMT) of wood pellets per year. The Accord also stipulated that the use of solid biomass for energy is subject to specific sustainability criteria. For more information about the sustainability requirements see: https://english.rvo.nl/subsidies-programmes/sde/sustainability-criteria.

Dutch Imports of Wood Pellets Surge in 2019

From 2013-2017, Dutch imports of wood pellets stagnated due to the termination of government support for the use of woody biomass for energy generation (see graph 1 below). In 2018 and 2019, however, Dutch subsidies (via SDE+ funds) resumed. As a result, the Dutch power sector imported 1.22 MMT of wood pellets (a new record) at a value of €215 million ($232 million).

Graph 1. Imports of Wood Pellets - The Netherlands (MT)

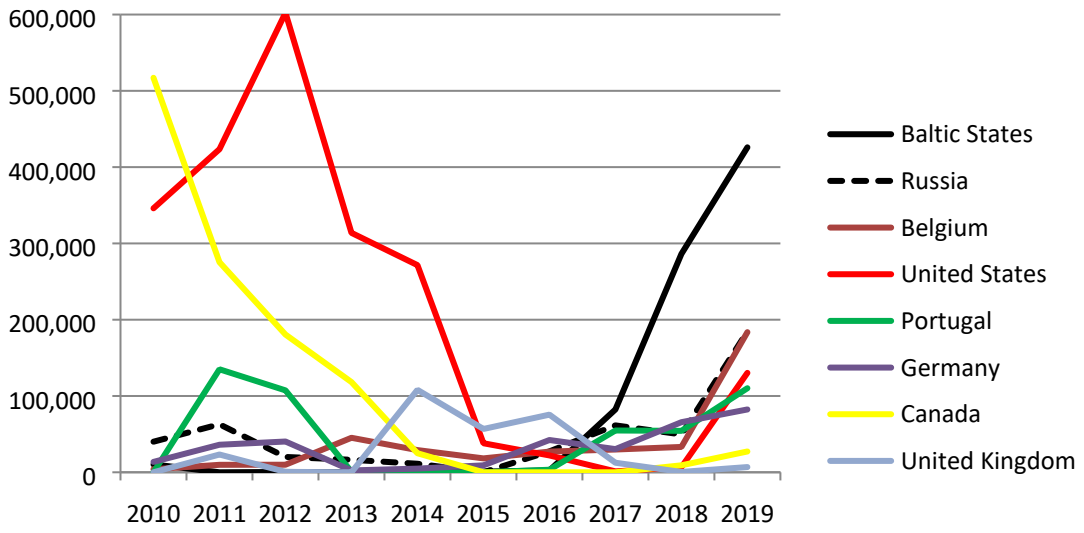


Source: Eurostat, 2010 - 2011 HS code 44013020, 2012 - 2019 HS code 440131

In 2012, the Netherlands imported more than one million metric tons of wood pellets. At that time, the United States was the leading foreign supplier to the Netherlands (accounting for 600,000 MT). However, in 2018 and 2019, imports from the Baltics States (i.e., Latvia, Estonia, and Lithuania) and

Russia dominated the trade at the expense of U.S. and Canadian market share, see graph 2 below. NOTE: Pellet imports from Belgium and the United Kingdom are re-exports and are most likely sourced from the United States and Russia. Imports from the Baltic States could also include re-exports from Russia, but the majority are believed to be direct imports.[1]

Graph 2. Imports of Wood Pellets - The Netherlands (mt)
Main Suppliers



Source: Eurostat, 2010 - 2011 HS code 44013020, 2012 - 2019 HS code 440131

The main hurdle for U.S. wood pellets shipped to the Netherlands is that the pellets must be certified at the forest level as a pre-condition for receiving SDE+ funds. In the United States, pellets for export are produced by large-scale plants, but the biomass for pellet production is generally sourced from small forest owners who do not have a program for certification. Forest-level certification is not required by other EU Member States importing wood pellets, including the United Kingdom, Denmark and Belgium. This requirement is also not included in the new EU Renewable Energy Directive (known as REDII). For more information see public GAIN Report – EU Biofuels Annual, dated July 17, 2019. NOTE: Any effects from the new EU Green Deal will be ascertained as details are finalized and released to the public.

The Dutch Government developed a "Verification Protocol" as an alternative to certification to facilitate trade (i.e., a statement of compliance in advance of the delivery of the biomass, which generally lays more risk upon the buyer). However, importers are often reluctant to utilize this system out of fear a product might be determined to be non-compliant after delivery. Moreover, verification at the forest level is difficult as the Dutch Government does not sufficiently recognize existing country of origin, national sustainable forest management practices. Consequently, U.S. foresters and pellet producers cannot fall back on U.S. sustainable forest management practices to demonstrate compliance. Currently,

[1] The Baltic States combined produce roughly 3 MMT of wood pellets per year.

the sustainability of pellets purchased by the Dutch power sector is predominantly demonstrated with a combination of Sustainable Biomass Program (SBP) certificates and compliance with the Verification Protocol. However, trade could be improved with harmonized import procedures (in line with the EU's directives). For more information, see public GAIN Report – Current Opportunities for Wood Pellets in The Netherlands, dated May 17, 2018.

Wood Pellet Imports Forecasted to Double Again in 2020

Based on the Dutch power sector's plans for co-firing in 2020, pellet imports are forecast to double again in 2020 (see table 1 below).

Table 1. Supply and Demand of Wood Pellets – The Netherlands (1,000 MT)

	2015	2016	2017	2018	2019	2020
Production	100	200	264	290	320	350
Imports	141	208	329	598	1,223	2,500
United States	38	22	1	7	130	500*
Exports	147	208	232	274	346	600
Consumption	94	200	361	614	1,197	2,250

NOTE: FAS/The Hague estimates based on Eurostat and private company information (public website and interviews).
(*) This forecast is based on an expectation of insufficient EU-sourced supply.

In 2019, the RWE power plant in Geertruidenberg replaced fifty percent of its coal input with biomass. In 2020, RWE plans to expand its co-firing to eighty percent (see table 2 below), and its plant in Eemshaven will begin co-firing to replace fifteen percent of its coal input. Last fall, Uniper began to utilize their assigned SDE+ funds for co-firing with an annual volume of roughly 500,000 MT. Unfortunately, the Onyx power plant in Rotterdam has terminated its power generation as of the beginning of this year (for unknown reasons). Based on current co-firing and expansion plans, Dutch pellet use is estimated to increase from 1.20 MMT in 2019 to approximately 2.25 MMT in 2020.

Table 2. Solid Biomass for Co-Firing

Company	Location	Start	Heat (MW)	Power (MW)	Maximum Volume of Biomass (MT)	Type of Biomass
RWE	Geertruidenberg	2018	-	600	1,750,00	Wood pellets
RWE	Eemshaven	2020	-	1,560	800,000	Wood pellets
Uniper	Rotterdam	2019	-	272	550,000	Wood pellets
Onyx	Rotterdam	2020	-	730	240,000	Wood pellets

NOTE: FAS/ The Hague estimates based on Dutch Enterprise Agency (RVO) and industry sources.

More Projects Expected to use Biomass in the Near-Term

The Netherlands Enterprise Agency (known by its Dutch acronym of RVO), granted funds for more than 60 projects for industrial power generation and for roughly 150 solid biomass projects which produce heat. These plants will likely attract more biomass from other EU Member States in the form of chips, and from third- countries in the form of pellets. For more information, see the GAIN Report - The Dutch Industrial Market for Biomass, dated February 20, 2019.

Role of Biomass in the Long-Term

The Dutch Cabinet is convinced that biomass is an important asset for a climate neutral and circular economy. To maintain support from the public in the long-run, the Dutch Ministry of Infrastructure and Water Management plans to introduce a new sustainability framework for biomass. The framework would include requirements for all types of biomass, subsidized and non-subsidized, for all purposes (not just energy applications). The Ministry asked the Dutch Social Economic Council (known by its Dutch acronym of SER) to advise it about the practicability of a new sustainability framework for biomass. The report is expected to be published in June 2020.

As part of the SER's advice, the Ministry of Infrastructure and Water Management asked the Netherlands Environmental Assessment Agency (known by its Dutch acronym of PBL) to investigate the available supply and economic viability of biomass for the Dutch economy. On May 8, 2020, PBL published a report on the Availability and Applications of Sustainable Biomass. The report is based on the viewpoint of 150 stakeholders and more than 400 scientific articles and reports. The overall conclusion of the report is that a government policy for a circular economy without a significant role for biomass is a risky strategy. The study furthermore states that the cascading use of biomass (i.e., converting it to higher-value products before using it for energy) is widely supported by the consulted sources. In its report, the PBL advises the government to develop an agenda for the realization of bio-refinery projects on an industrial scale. For more information about conversion technologies for bio-refineries, see the GAIN Report - Case Studies for a Biorefinery, dated May 14, 2018.

However, PBL identifies three concerns linked with the production and harvesting of biomass: (1) the payback time for the carbon debt after harvesting biomass, (2) the competition for fertile land by Indirect Land Use Change (ILUC), and (3) the loss of biodiversity. The study concludes that the payback time for achieving net CO_2 negative emissions cannot be determined. To counter this, PBL recommends the imposition of restrictions on biomass from sources with a high risk for long carbon payback times. PBL also questioned the extent to which the Dutch government can impose requirements on biomass that fall on top of the conditions already laid down in the EU's REDII. The study states that a new and unique Dutch sustainability framework for biomass will likely be complex and could be unpractical. Therefore, PBL advises the Ministry to work at the EU-level for a further completion and enforcement of harmonized requirements. Many in the Dutch power sector believe global commodity standards and harmonized sustainability requirements are a prerequisite for further expanding the use of biomass as a renewable input in worldwide energy production.

Attachments:
No Attachments.