

Required Report: Required - Public Distribution

Date: December 03, 2025

Report Number: UK2025-0032

Report Name: Wood Pellets Annual

Country: United Kingdom

Post: London

Report Category: Wood Pellets

Prepared By: Logan Clow

Approved By: Alexandra Baych

Report Highlights:

The United Kingdom (UK) remains the largest global consumer of imported wood pellets. In 2025, imports are forecast to exceed 9.6 million metric tons (MMT), a growth of three percent over 2024 figures. The industrial biomass energy sector dominates demand for wood pellets supported by the government's focus on decarbonization. Recently, the UK's Department for Energy Security and Net Zero (DESNZ) has indicated future funding will prioritize wind and solar renewable energy sources with biomass stepping in to supplement domestic energy needs. The UK is also expected to announce a review of sustainability standards for renewable energy feedstocks, related to the previous government's Biomass Strategy. The UK's domestic production is limited with imports from the United States supplying nearly 74 percent of wood pellets in 2024.

I. Executive Summary

The United Kingdom (UK) is the largest global consumer of wood pellets. In 2024, total consumption reached a record at nearly 9.85 million metric tons (MMT). In 2024, the biomass energy sector provided 7 percent of total energy production in the UK despite a relatively mild winter in 2024/2025 12-month period, which eased pressure on energy supplies. In 2025, wood pellet consumption is expected to continue to rise driven by strong demand for biomass (classified as a renewable energy product) in the energy sector due to an expected colder winter in calendar year (CY) 2025. In CY2025, imports of biomass are forecast over 9.6 MMT.

The UK is the largest global consumer of wood pellets, primarily driven by its biomass energy sector. UK wood pellet regulations align closely with European Union (EU) standards, particularly the Renewable Energy Directive II (RED II). EU RED II stipulates the definition and regulations for renewable energy sources, which includes wood pellets, which the UK utilizes in pursuit of its decarbonization and sustainability goals. UK renewable energy targets supplement the EU RED II standards supporting UK demand for biomass/wood pellet energy products. Strict compliance standards, such as the Sustainable Biomass Program, define eligible sources for wood pellets and limit which countries biomass products are eligible/qualify to supply the UK market.

In 2025, the UK's Labour-led Department for Energy Security and Net Zero (DESNZ) has maintained support for renewable energy sources, including biomass, but has signaled a shift in prioritization toward wind and solar energy. This has largely been under the framework of its [Clean Power 2030](#) policy, announced in December 2024. This has not yet impacted wood pellet demand in 2025 but is expected to affect wood pellet consumption ahead of its 2030 Net Zero Greenhouse Gas (GHG) emissions target as consumption of wood pellets for biomass energy production is strongly driven by government minimum price support policies and government funding. Biomass energy production contributes to reducing GHG emissions which supports the government's focus on sustainability and compliance with international standards, which remains a cornerstone of its energy policy.

II. Policy and Programs

Continuation of regulatory framework

The UK sustainability criteria and environmental standards for wood pellet production and importation mirror EU policies under the RED II, which was transposed into UK law. There have not been any major policy shifts that take effect in 2025, some policy announcements affect the future direction of the wood pellet market post-2025. The UK government implements criteria to ensure that biomass is sourced sustainably, contributes to greenhouse gas (GHG) emissions reductions, and avoids deforestation or biodiversity loss. Some of these criteria are relevant to wood pellets at the point of import, however many are not necessary specifically for the industrial bioenergy sector. Currently, biomass power plants generating at least 1 megawatt (MW) must meet these criteria to qualify for Renewable Obligation Certificates (ROCs). The previous Conservative government's [2023 Biomass Strategy](#) outlined a cross-sectoral common sustainability framework, which is awaiting public consultation and is not expected to be implemented in 2025.

Financial Incentives

The Renewable Obligation (RO) remains the primary financial support mechanism for biomass energy production, providing a stable revenue stream through ROCs. This policy obligates energy suppliers to increase the proportion of energy supplied from renewable sources, including biomass. ROCs are awarded based on the amount of renewable electricity generated, offering an additional revenue stream for producers. This mechanism is necessary for the financial viability of biomass energy projects. This is especially the case as the sector increasingly competes with other renewable energy sources such as wind and solar. Demand for biomass energy is expected to gradually decline as the UK government focuses on other renewable energy sources to make up an increasing proportion of the UK's baseload electricity generation. The upcoming changes to the UK government's financial incentives for renewable energy production reflect this.

Government support is expected to shift from ROs toward Contracts for Difference (CfD) by 2027. CfD provide long-term contracts that guarantee a fixed price for electricity generated and bridge the gap in costs with electricity produced from non-renewable sources.

Changes to subsidies and transition to Bioenergy with Carbon Capture and Storage (BECCS)

The UK government currently provides subsidies for renewable energy generation including biomass energy using wood pellets. This is part of the UK's over-arching plans to decarbonize its energy sector. Despite recent low prices for wood pellets in 2024 and 2025, biomass energy production remains more expensive than some other renewable sources such as wind and solar. The Labour administration has also allocated funding towards the development of certain renewable energy projects such as wind and solar, which are expected remain a priority for the UK energy mix compared to biomass energy going forward. In 2027, industrial biomass energy is expected be utilized to supplement other renewable energy sources when insufficient energy is being provided to the UK power grid rather than providing primary (baseload) electricity for the grid.

In line with this transition, the [UK government announced](#) in February 2025 a significant reduction in subsidies for large-scale biomass generators starting in April 2027. Under the expansion of Contracts for Difference (CfD) scheme, subsidies will fall to within a range of £300 (\$395) million and £650 (\$855) million per year, depending on wholesale power prices (would be around \$580 million based on current trends). The UK government has also introduced stricter sustainability criteria, seasonal capacity limits, penalties for generation shortfalls, and an excess-profits windfall levy mechanism. These changes are not expected to result in any changes to the wood pellet demand prior to 2027.

Biomass energy producers in the UK are expected to accelerate bioenergy carbon capture, utilization and storage (BECCS) to utilize industrial wood pellets for energy production. A key part of the UK's Net Zero strategy goals includes the use of BECCS technology. However, BECCS technology is not expected to be deployed at commercial scale for several years. As such, this has had little bearing on wood pellet demand or supply in 2025. To date, additional announcements on the UK BECCS policy have been postponed, in turn postponing the possible implementation of large-scale BECCS investment and implementation. BECCS is included in the UK's Net Zero strategy but is not expected to be deployed by 2030.

Sustainability and Certification

Producers and suppliers of wood pellets for the UK market must adhere to certification schemes like the Forest Stewardship Council (FSC) and the Program for the Endorsement of Forest Certification (PEFC) to demonstrate compliance with sustainability criteria. These certifications are essential for accessing government subsidies and meeting the UK’s renewable energy targets. Regular audits and inspections by DESNZ and Office of Gas and Electricity Markets (Ofgem) ensure adherence to these standards. Ofgem regularly conducts investigations of energy producers. If a violation is found Ofgem may apply penalties or revoke eligibility for government funding. In 2025, Ofgem concluded an investigation into an energy producer and determined that no violations took place. However, Ofgem also determined that tighter controls and governance were needed to provide more accurate supply chain data reporting.

Trade Policy

The principal regulations affecting wood products, including wood pellets, is the UK Timber Regulation (UKTR) and the Forest Law Enforcement, Governance and Trade (FLEGT) initiative, which govern the legality and sustainability of wood pellet imports. These regulations require businesses to conduct due diligence to ensure that timber and timber products (see previous [GAIN report](#) for more detail), including wood pellets, are legally harvested. Importers from countries with FLEGT licenses benefit from a simplified due diligence process, reducing the burden for compliant producers when exporting to the UK.

The EU Deforestation Regulation (EUDR) is an EU regulation covering wood and other products imported into the EU. The EUDR implementation is postponed until December 30, 2025, for medium and large businesses, and on June 30, 2026, for small businesses (as defined by the regulation). EUDR is expected to apply to Northern Ireland. Under the UK’s Environment Act of 2021, the UK is developing the UK Forest Risk Commodities policy. This policy is not yet in force and the most recent version did not include wood products. The UK-EU reset, and upcoming Sanitary and Phytosanitary (SPS) agreement do not currently include wood pellets. UK tariffs on imports of wood pellets to the UK remain at 0 percent on a Most-Favored Nation basis.

III. Market

<p>Table 1. UK Wood Pellets Market Balance and Production Capacity (1,000 MT)</p>
--

Calendar Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025f
Beginning Stocks	453	519	558	741	741	741	741	741	741	426
Production	310	287	259	290	300	300	248	239	229	215
Imports	7,086	6,884	8,011	8,857	9,078	9,250	7,516	6,364	9,318	9,615
Exports	22	124	63	33	4	5	23	11	14	16
Consumption	7,308	7,008	8,024	9,114	9,374	9,545	7,741	6,592	9,848	9,890
Ending Stocks	519	558	741	741	741	741	741	741	426	350
Biomass Use Capacity										
Number of Plants	1	1	1	2	2	2	2	2	2	2
Capacity	6,900	6,900	7,900	10,200	10,200	10,200	10,200	10,200	10,200	10,200
Capacity Use (%)	97.4%	81.0%	74.1%	83.0%	85.5%	87.2%	69.5%	58.3%	90.2%	90.6%

Sources: His Majesty's Revenue and Customs (HMRC), Trade Data Monitor, Drax Group, and FAS Post Estimates.

Note: e=estimate, f=forecast, NA=not available.

Consumption

In 2025, the UK wood pellet market is growing beyond 2024 record levels. CY2024 marked a significant rebound in consumption volumes after a significant dip in 2022 and 2023. However, the winter of 2024/25 was unseasonably warm and led to lower-than-expected energy consumption during this period. Despite this, biomass energy made up a strong proportion of the UK energy mix in recent months, as there have been dips in the consumption of other renewable energy sources and gas in 2024 and 2025, supporting imports. Higher imports may also be in anticipation of increased usage later in 2025, with a colder winter weather expected from long-term forecasts, aligning with broader energy consumption trends in the UK.

The industrial biomass energy sector accounted for over 93 percent of wood pellet usage in 2024. The two major biomass power plants at Selby and Lynemouth dominate biomass energy production for the UK. Residential usage remains low and is declining due to the winding down of the Domestic Renewable Heat Incentive (DRHI). Residential demand is supplied by a mix of domestic biomass production and imports, with previous suppliers like Russia having now been phased out due to geopolitical factors and tariffs.

Other emerging sources of demand such as BECCS or Sustainable Aviation Fuel (SAF) are not yet a significant factor for the UK wood pellet market.

UK wood pellet prices have been relatively low since 2024, compared with higher prices in 2022 and 2023. A small proportion of the UK wood pellets supply are traded on spot prices, which are providing some early signs that prices could increase through the second half of 2025.

Production

Domestic wood pellet production remains limited, supplying only a fraction of residential and commercial heating demand. A renewed focus on re-establishing forestry in the UK may increase the long-term supply of domestic wood pellet production. For example, initiatives to increase forestland in the UK, particularly managed forests, may support an increase the long-term supply of UK wood pellets. These initiatives are in their early stages, given the low base level of UK forestland and land available for reforestation and afforestation, this is not expected to affect wood pellet supplies in the short-term.

Industrial biomass energy production relies on imports. The largest biomass power station in the UK used 99 percent imported wood pellets in 2024. In 2025, production capacity has remained unchanged, and no new investments have been announced to expand domestic biomass energy production in 2025.

Trade

CY2025 imports are forecast 9.6 MMT, expected to see an increase of over 3 percent over 2024. In 2024, the United States, Canada, Baltic countries, and the Netherlands were the primary supplies of wood pellet imports. Wood pellet imports in CY2025 are expected to be supplied from the United States and Canada. Imports from European suppliers in the first half of CY2025 have declined likely due to demand pressures in the EU. Canada is typically one of the larger suppliers of wood pellets to the UK. However, UK concerns around the ability for Canada to meet the UK sustainability credentials, and a pivot by Canada towards supplying the Japanese market, are expected to lead to a significant decline in Canadian market share in the UK over the next few years by excluding wood pellets sourced from areas of primary forest.

In CY2024, wood pellet imports from the United States reached over 6.9 MMT in 2024, Latvia being the second largest supplier at approximately 0.9 MMT, up 56 percent from 2023. Between 2024 and 2025, the value of wood pellet imports from United States to the UK increased by 10 percent, this rise is partially attributed to cost inflation in the U.S. sector.

UK exports remain minimal and largely go to the EU, particularly Ireland. The similar standards for biomass between the UK and EU mean that compatibility with biomass sustainability criteria for one, typically means compatibility with the other, making UK-EU trade relatively smooth for wood pellets

IV. Notes on Statistical Data

All trade data in this report are based on United Kingdom HM Customs data compiled by Trade Data Monitor, LLC, and estimates from FAS Post. Energy consumption and production figures are reported on a calendar year basis. HS Code 4401.31 is used to calculate all wood pellet trade in this report.

Changes in the levels of stocks in 2024 are reflective of updated data sources and not necessarily representative of a realized drop in stock levels.

Attachments:

No Attachments