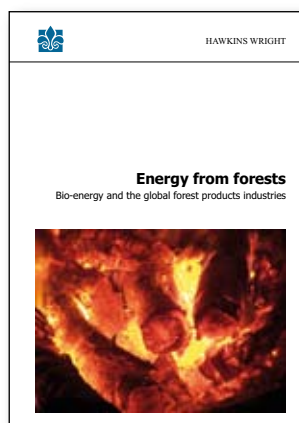




A NEW STUDY | **AVAILABLE IMMEDIATELY**

Energy from Forests

Bioenergy and the global forest products industries



In this prospectus

Questions	3
Table of Contents.....	4
List of Tables.....	6
List of Figures.....	7
Our experience.....	9
Availability and cost....	9
Contact	9
Order form	10

This multi-client study presents a uniquely detailed analysis of the rapidly expanding bioenergy industry and the **strategic implications** for companies in different parts of the forest products industry.

The study examines the **opportunities** that exist for those forest products companies that are correctly positioned to exploit them. It also highlights the many **challenges** that lie ahead for all forest products companies, particularly with respect to biomass feedstock availability and cost.

The study equips **decision-makers** with an understanding of the energy policies, trends, technologies and markets that are shaping the future prospects of their businesses. As such, it provides a roadmap that will assist forest products companies – as well as organisations outside the forest products industry: energy companies, policymakers and financiers – to develop a **strategic response** to the many opportunities and challenges that they face.

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Background to the study

Fundamental shifts in government energy policies have major implications for companies in forest-based industries. Increasingly, government policies in Europe, North America and elsewhere are encouraging the development of renewable sources of energy, many of them setting ambitious targets for the use of renewable heat, electricity and/or transport fuels. Although wood is obviously just one source of renewable energy it is apparent that **the only way that governments can hope to meet their targets is by realising the untapped energy potential of forests.**

Some forest product companies may be inclined to view bioenergy as a **threat**; it does, after all, introduce a completely new set of end-uses which will in the future compete for more-or-less the same forest resource. On the other hand, it is also a tremendous **opportunity** for forest-based companies which are, in most cases, several steps ahead in terms of their access to biomass resources, whether these be in the forest, in pulp mills or in sawmills.



A choice of bioenergy pathways

The challenge for forest-based companies will be to choose the most appropriate bioenergy strategy. There are a great many bioenergy pathways to choose from; some which may be integrated with a company's existing operations and others which will necessarily involve a joint venture with a specialist energy company or distributor.

Some pathways are relatively low-tech, such as the production and marketing of wood pellets and chips. For forest companies with access to appropriate fibre they offer exciting possibilities in a rapidly growing market. The European market for wood pellets, for example, is predicted to grow by between five and tenfold by 2020, depending on regulatory developments in the EU and the feedstock choices of electricity generating companies. The North American market for wood pellets is currently much smaller, but this could also take off if the next US Administration introduces federal targets for renewable electricity and heat.

Other bioenergy pathways involve higher-tech processes, many not yet commercially proven. These carry a higher risk but, by promising to add much more value to the wood resource, potentially offer commensurately higher rewards. The so-called **thermochemical pathways** are the most advanced. These include advanced gasification technologies to produce heat and power, pyrolysis oil and liquid biofuels produced by variations on the Fischer-Tropsch process or mixed alcohol synthesis.

The **biochemical pathways** – including cellulosic or second-generation bioethanol or biobutanol – offer perhaps the greatest potential rewards in the long term, but the technology is still in its infancy, although larger-scale demonstration plants are due to start up by 2009-2010.

Possibly the most interesting opportunities for pulp producers involve developing **the energy potential of black liquor**. Kraft pulp mills are already major producers of bioenergy, but new black liquor gasification technologies promise to capture the energy values of black liquor far more efficiently, turning a pulp mill into a true biorefinery that produces transport fuels and biochemicals alongside electricity, heat and woodpulp.

Feedstock availability

European and North American targets to supply bioenergy in the form of heat, power and second generation biofuels imply **a threefold growth in woody biomass feedstock demand** by 2020. Consequently there are questions about the availability of wood to meet the growing demand for bioenergy as well as the existing demand from the pulp, paper, lumber and wood panel industries.

Our research demonstrates that a surplus of woody biomass in North America contrasts with a potential shortfall in Europe, a fact that will increasingly drive the development of the trans-Atlantic seaborne trade of wood chips and densified biomass; e.g., wood pellets (including torrefied pellets) and bio-oil.

Biomass sourced directly from forests comprises by far the largest share of potential woody biomass supply in both Europe and North America. (Other sources include different forms of processing residues and recovered wood.) However, this is also the source whose availability is most sensitive to the costs of supply. As it becomes necessary to extract energy wood directly from the forest in dedicated harvesting operations – rather than using industrial processing residues – so the marginal costs of supply will rise.



The conclusion is that if forest biomass supplies are to be mobilised to meet governments' ambitious bioenergy targets, the price of energy wood will necessarily increase. One of the results will be that **pulpwood and energy wood buyers must expect to compete more fiercely for favourably located wood.**

Some of the questions addressed in the study...

Amongst the questions addressed in this **215 page** multi-client study are:

- What are the factors driving bioenergy developments? What are the implications of **government targets** for renewable energy supply in the EU and North America? How likely are they to be achieved? What do these targets mean for the **future supply** of wood-based bioenergy?
- What are the advantages and disadvantages of the various bio-energy **technologies** involving wood? The study reports on the progress of the thermochemical and biochemical conversion technologies under development. The study includes **profiles of key bioenergy projects** and technology developers.
- What are the **economics of biorefineries** and black liquor gasification? Does the technology offer a future for uncompetitive pulp mills in North America and Europe?
- Residual wood fibre – including harvest residues and processing residues – will be an increasingly important source of fuel. What are the **supply and demand balances** of woody biomass in North America and Europe?
- How much woody biomass is available? The study presents a detailed analysis of future regional **biomass availability by source**: forest and harvest residues; processing residues (including sawmill residues and black liquor); and recovered wood.
- Can the existing **wood supply chain** meet the needs of the energy industry as well as those of traditional end-users? What changes may be required?
- By how much will the cost of energy wood increase when it depends on **dedicated harvesting and extraction** of biomass directly from forests? How will this influence the marginal costs and prices of pulpwood supply in Europe and North America? (The study presents indicative supply costs for energy wood by region/country.)
- A likely deficit in woody biomass availability in Europe and a potential surplus in North America will drive **an increase in trans-Atlantic seaborne trade** in biomass. In this context, what is the outlook for the supply and demand of **wood pellets** and other forms of *densified* biomass?
- What are the **strategic implications** for companies in forest-based industries? What factors will influence a company's choice of bioenergy diversification strategy? How can a company **manage the risks** associated with diversification?

The study's comprehensive **Table of Contents** is shown overleaf together with a list of its 136 tables and charts.



Table of Contents

Foreword

Abbreviations and Acronyms

Glossary

Executive summary

Chapter One

The factors driving the bioenergy revolution

1. Introduction
2. Oil, gas and coal demand, supply and price
 - 2.1. Reserves and replacement costs
 - 2.2. Energy security
3. Addressing climate change
4. The regulatory environment
 - 4.1. Feed-in tariffs v Renewable Portfolio Standards
 - 4.2. Biofuel blending mandates
5. Certification and sustainability criteria
6. Land use and the food v fuel debate

Chapter Two

Current wood-based bioenergy demand and supply

1. Forms and use of biomass energy
 - 1.1. The efficiency of energy production
 - 1.2. GHG emissions
2. Bioenergy consumption – a global perspective
 - 2.1. The importance of wood biomass
3. The forest products industry as wood-based biomass energy user
4. Wood biomass in the European energy system
5. Wood biomass in the North American energy system

Chapter Three

The status of wood-based bioenergy technologies

1. Introduction
 - 1.1. Traditional biomass energy technologies
 - 1.2. Overview of modern biomass energy technologies
2. Biomass energy capacity
 - 2.1. Capacity investment trends
3. Current status of wood biomass technologies
 - 3.1. Relative energy conversion efficiency
 - 3.2. GHG emission efficiency
4. Review of woody biomass technologies
5. Combustion – Heat and Power
 - 5.1. Heating
 - 5.2. Co-firing
6. Gasification
 - 6.1. Gasification technologies
 - 6.2. Biorefineries – the integrated gasification of black liquor
7. Pyrolysis oil (or bio-oil)
8. Biofuels
 - 8.1. Second generation thermochemical conversion
 - 8.2. Second generation biochemical conversion
 - 8.3. Market prospects for biofuels from wood
 - 8.4. Factors influencing the market acceptance of wood-based fuels
9. Status of bioenergy projects involving wood
 - 9.1. Choren
 - 9.2. Coskata
 - 9.3. Enkern and Greenfield Ethanol
 - 9.4. Flambeau River Biofuels



- 9.5. NewPage – Wisconsin Rapids and Escanaba
- 9.6. Range Fuels Inc.
- 9.7. Stora Enso and Neste Oil
- 9.8. Syntec Biofuel Inc.
- 9.9. UPM-Kymmene and Andritz (Carbona)
- 9.10. Xynergo (Norske Skog and partners)
- 9.11. SunPine (Södra, Sveaskog and Preem)
- 9.12. Dynamotive
- 9.13. LignoBoost AB (Metso)
- 9.14. SEKAB
- 9.15. Western Biomass Energy and KL Process Design
- 9.16. Blue Fire Ethanol
- 9.17. Verenium
- 9.18. Lignol Innovations and Suncor Energy
- 9.19. Mascoma
- 9.20. Red Shield Environmental (RSE) – Old Town, Maine
- 9.21. ZeaChem Inc.

Chapter Four

Bioenergy feedstock

- 1. Introduction
- 2. The current supply of woody biomass
 - 2.1. Supply from forests and plantations - S1
 - 2.2. Supply from processing residues - S2
 - 2.3. Supply of recovered wood - S3
- 3. The future availability of woody biomass in the European Union
 - 3.1. Overview of EU-27 consumption
 - 3.2. The future availability from forests (S1)
 - 3.3. The availability of primary wood processing residues (S2) - Black liquor (S2 Liquid) and Solid processing residues (S2 Solid)
 - 3.4. The availability of recovered wood – (S3)
 - 3.5. Summary of woody biomass supply and demand in the EU
- 4. The future availability of woody biomass in North America
 - 4.1. The availability from forests (S1)
 - Impact of cost on the future S1 availability in North America
 - 4.2. Availability of primary processing residues (S2)
 - The factors driving S2 supply
 - 4.3. The availability of recovered wood – (S3)
 - 4.4. Summary of woody biomass supply and demand in North America
- 5. The supply of woody biomass feedstock from energy wood buyer's perspective
 - 5.1. The volume available
 - 5.2. S1 – the impact of cost of supply on feedstock availability: cost at the roadside and transportation cost
 - 5.3. Delivered cost estimates
- 6. Trade in biomass – Europe and North America
 - 6.1. Indirect trade
 - 6.2. Direct trade
 - 6.3. Trade prospects determined by wood supply dynamics
- 7. SRC and energy wood plantations
 - 7.1. Global potential – land yields
 - 7.2. Global potential - land availability
 - 7.3. Rate of development short rotation coppicing (SRC)
 - 7.4. Rate of development of plantations

Chapter Five

Wood pellets and bio oil

- 1. Introduction
 - 1.1. Densification of biomass
 - 1.2. Product attributes – wood pellets, including torrefaction
 - 1.3. Product attributes – bio oil and bio char
- 2. The size of the wood pellet market
- 3. Regional overview of wood pellet demand



- 3.1. European Union: residential heat and industrial heat and power
 - 3.2. USA
 - 3.3. Canada
- 4. Wood pellet supply
 - 4.1. Capacity trends
 - 4.2. The cost of wood pellet supply: key input assumptions and future supply challenges
- 5. Pellet prices
- 6. Five year outlook
 - 6.1. North America and EU outlook for trade over the next five years: domestic heating demand, industrial heat and power markets
- 7. Outlook for bio oil

Chapter Six

Strategic implications for the forest products industry

- 1. Introduction
- 2. The demand for bioenergy
 - 2.1. Potential bioenergy demand – policy drivers
 - 2.2. A lack of clear consistent policy direction is a deterrent
- 3. Bioenergy diversification strategies
 - 3.1. Bioelectricity
 - 3.2. Bioheat
 - 3.3. Biofuels
- 4. Diversification strategies in the EU and North America
 - 4.1. Feedstock access and cost
 - 4.2. The capacity of the industry to invest:
 - Earnings performance
 - Cost savings and improved energy efficiency create additional capacity
- 5. Managing risks associated with diversification
 - 5.1. Selecting a technology pathway
 - 5.2. Integration risk
 - 5.3. Risk of wrongly estimating project performance
- 6. Opportunities and challenges for forest-based industries
 - 6.1. Forestry
 - Significant growth in demand for wood biomass from forests
 - Growing demand will change the cost structure of incremental supply
 - The need to improve biomass harvesting and transport systems
 - The need to aggregate feedstock supply
 - 6.2. Sawmilling
 - 6.3. Wood panel sector
 - 6.4. Pulp and paper sector
- 7. Forest industry involvement in bioenergy projects

Statistical Appendix

Terminology & Definitions

Useful links

Tables

- Table 1: World marketed primary energy consumption by region and fuel 1990-2030
- Table 2: World primary energy demand 1980-2030, reference scenario by energy source
- Table 3: North American and European oil imports and oil import dependency, 2007
- Table 4: Share of primary and final energy from renewables, by country, 2006 and targets
- Table 5: The US Farm Bill of 2008 – the main bioenergy programmes
- Table 6: Expected rises in commodity food prices 2005-2020, under three scenarios
- Table 7: Europe (OECD) and North America, renewable and waste energy balance, 2006
- Table 8: Energy intensity of various pulp & paper products (power & steam)
- Table 9: Energy intensity of various mechanical wood products (power & steam)
- Table 10: Energy intensity of different pulp & paper products: best available technology
- Table 11: Europe (12 countries) – sources and uses of energy wood, 2005
- Table 12: North America – sources and uses of energy wood, 2005
- Table 13: Theoretical yields of ethanol for some commonly considered biomass feedstocks



Table 14: Land use efficiency: GHG emissions avoided
Table 15: Incremental costs of a biofuel-driven car relative to a standard petrol-driven car
Table 16: The status of bioenergy projects involving woody biomass feedstock
Table 17: North America: co-firing power plants
Table 18: Europe: co-firing power plants
Table 19: Inputs and outputs of primary wood processing, using best available technology
Table 20: Categories of recovered wood in the EU and North America, 2006
Table 21: North American supply of S1 by category and country (lower limit of range)
Table 22: Summary of indicative delivered costs of S1 woody biomass, by region, 2007
Table 23: Indicative bioenergy yields per hectare of land use
Table 24: Specifications of different types of densified feedstock
Table 25: Wood pellet capacity, production, consumption and trade balance, by region, 2007
Table 26: Major wood pellet producers in the USA, Canada and Europe, by capacity, 2008
Table 27: Wood pellets – estimated breakdown of production and delivery costs – Q1 2008
Table 28: European Union: development scenario for biomass heat demand to 2020
Table 29: Planned investments in biomass electricity generating capacity by European utilities
Table 30: The principal bioenergy projects involving forest product companies
Table 31: Global primary energy supply, by energy type – 1980-2005
Table 32: Global primary energy consumption by region, 1980-2007
Table 33: US – Renewable Fuels Standard targets by fuel type and schedule – 2008-2022
Table 34: European capacity and production of biodiesel 2003-2008
Table 35: European production of fuel ethanol, by country 2000-2007
Table 36: US production of biodiesel 1999-2007
Table 37: World gross inland consumption of energy by country (2005)
Table 38: EU27 - Gross inland consumption of energy by fuel type, 2005
Table 39: EU27 - Gross inland consumption of renewable energy by fuel type, 2005
Table 40: EU27 - Biomass as a % of energy consumption, by country, 2005
Table 41: Europe and North America: sources of wood energy by country, 2005
Table 42: Europe and North America: uses of wood energy by country, 2005
Table 43: Conversion factors – energy and power
Table 44: Energy content of different fuels in tonnes of oil equivalent
Table 45: Properties of solid biofuels: net calorific value, moisture, bulk and energy density
Table 46: Typical bulk density of biofuels
Table 47: Conversion factors – wood volume and mass
Table 48: Conversion factors: roundwood required per unit of forest product
Table 49: Conversion factors: Crude oil - tonnes, litres, barrels, gallons
Table 50: Common conversion factors

Figures

Figure 1: Crude oil price - 1970-2008 (West Texas Intermediate - WTI)
Figure 2: Steam coal price – 1987-2008
Figure 3: Natural gas (well head) prices in the USA – 1976-2008
Figure 4: Global primary energy supply, by type, 1980-2005
Figure 5: Global primary energy demand by region, 1980-2007
Figure 6: World oil demand, 1980-2030, three scenarios
Figure 7: OPEC and non-OPEC oil production v the oil price – 2000-2008
Figure 8: World proven oil reserves, by investment risk (billion barrels)
Figure 9: Change in proven oil reserves v oil production – 1980-2007
Figure 10: Proven oil reserves, by region – 1980-2007
Figure 12: The decline in oil production in the USA and the European Union – 1965-2007
Figure 13: US Renewable Fuels Standard - targets by fuel type and schedule – 2008-2022
Figure 14: Wheat and corn (maize) prices in the USA – 1990-2008
Figure 15: Utilisation of corn (maize) for fuel alcohol production in the USA - 1980-2008
Figure 16: Fuel shares in world total primary energy supply, 2006
Figure 17: Product shares in world renewable energy supply, 2006
Figure 18: Emission profile of various power generating options
Figure 19: GHG Emissions from various transport fuel options
Figure 20: Total primary bioenergy supply in G8+5
Figure 21: Role of wood energy in total energy supply, 2005
Figure 22: Global wood flows, 2007 and 2020
Figure 23: Europe (EU27), sources of energy, 2005
Figure 24: Europe (EU27), sources of renewable energy, 2005



- Figure 25: Europe (12 countries) - sources of energy wood, 2005
- Figure 26: Europe (12 countries) - uses of energy wood, 2005
- Figure 27: North America, sources of energy, 2005
- Figure 28: USA & Canada – sources and uses of energy wood, 2005
- Figure 29: Main bioenergy technology pathways
- Figure 30: Global biomass energy capacities
- Figure 31: Average growth rates in renewable energy capacity 2002 to 2007
- Figure 32: Relative conversions efficiency of modern woody biomass energy technologies
- Figure 33: Power and CHP technologies: comparison of GHG emissions
- Figure 34: Transport fuel technologies: comparison of GHG emissions
- Figure 35: Woody biomass energy technologies – stage in the technology lifecycle
- Figure 36: Price of wood pellets v heating oil in Germany, 2007-2008
- Figure 37: Industrial heat and electricity use worldwide
- Figure 38: Stand alone plant - process flow and input output ratios
- Figure 39: Projected impact of economies of scale on stand-alone BIGCC technology
- Figure 40: Simplified thermochemical conversion process flow chart
- Figure 41: NREL Reduction in production cost through reducing cost of gas cleanup
- Figure 42: Ex-factory biofuel production cost comparison - Q1 2008
- Figure 43: Simplified process - Biochemical conversion of wood to fuel
- Figure 44: NREL cellulosic ethanol production costs and targets
- Figure 45: EU and North America, sources of woody biomass supply for energy, 2007
- Figure 46: Potential S1 supply in the EU-27, 2005, 2010 and 2030
- Figure 47: European Union: S1 supply cost curve
- Figure 48: EU-27 + Norway, production of chemical pulp by country, 2006
- Figure 49: Incremental supply and demand for wood for solid wood processing 2006-2020
- Figure 50: European Union, Classification of recovered wood by end-use, 2005
- Figure 51: EU-27 woody biomass supply by source, 2020. High & low scenarios
- Figure 52: North America: sources of woody biomass for energy, 2005
- Figure 53: Potential S1 supply from North American forests
- Figure 54: North America: S1 supply cost curve
- Figure 55: US timber requirement by end-use application, 2010 & 2020
- Figure 56: Production of kraft pulp in North America, 1990-2006
- Figure 57: North American sawmill capacity, by region, 2007
- Figure 58: North America: classification of recovered wood by end-use, 2005
- Figure 59: North American woody biomass supply, 2020. High & low scenarios
- Figure 60: EU-27 + North America: woody biomass supply, 2020. High & low scenarios
- Figure 61: Relationship between transport cost distance and bulk density
- Figure 62: Indicative delivered costs of S1 woody biomass, by region, 2007
- Figure 63: EU and North America: utilisation of non-integrated biomass feedstock resources
- Figure 64: Bioenergy yields from various land use options
- Figure 65: Global land availability and requirements to 2020, under three scenarios
- Figure 66: Comparison of energy plantation developments costs in different regions
- Figure 67: The impact of moisture on the energy value of woody biomass
- Figure 68: Global wood pellet consumption, by region, 2007
- Figure 69: Wood pellet consumption, by country and end-use market, 2007
- Figure 70: Sweden – wood pellet production, consumption and trade, 1997-2007
- Figure 71: The number of installed pellet stoves/boilers - Sweden, Germany, Austria - 2000-07
- Figure 72: Pellet stove shipments in North America
- Figure 73: Canadian wood pellets – supply and sales, 1997-2007
- Figure 74: Global wood pellet production, 1980-2010
- Figure 75: Wood pellet production capacity by country, EU & North America, 2007-08
- Figure 76: Pellet prices in different European countries, from January 2005
- Figure 77: Pellets prices in different European countries before and after VAT, February 2008
- Figure 78: EU27: Gross electricity generation, renewable and non-renewable, 2006
- Figure 79: Europe (OECD): Net electricity generating capacity from biomass
- Figure 80: The change in value distribution within the US gasoline supply chain, 2000-2008
- Figure 81: Capacity of major sawmilling companies in North America and the EU
- Figure 82: Capacity of major wood-based panel companies in North America and the EU
- Figure 83: Fuel ethanol production – USA, Brazil and the rest of the world, 1997-2007
- Figure 84: World gross inland consumption of energy by regional groupings (2005)
- Figure 85: World gross inland consumption of energy by fuel type (2005)
- Figure 86: The storage space required per unit of energy for oil, coal and biomass fuels



Our experience

The study has been a collaborative project of **Hawkins Wright** and **Ceres Ventures**.

Hawkins Wright Ltd is a business consultancy based in London, UK, specialising in the provision of consultancy and business information services to the international forest products industry. The company was formed in 1982 and over the past twenty-five years has developed an unequalled bank of data, qualitative information and senior contacts throughout the industry. Visit www.hawkinswright.com for more information.

Ceres Ventures' founding partner, Niel Barnard, has over 20 years of experience in the global forest and related products industry and has held a number of managing, executive and non-executive directorships in international businesses located in UK, South Africa, Denmark and Belgium, initially in plantation development in South Africa and subsequently as a vice president of Jaakko Pöyry. More recently Niel Barnard has been involved in forestry and bioenergy investment, strategic consultancy and fund management. Visit www.ceresventures.co.uk for more information.

Availability and cost

The study was completed in September 2008 and is **available immediately**. The price of the study is **£4,800** (or the equivalent in US dollars or euro).

The price includes a PDF copy and two printed copies of the study as well as a presentation meeting with the authors in London. Additional copies of the report will be available for a nominal fee.

Contact

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