

Baltic biomass market. Is it price tsunami or tidal wave?

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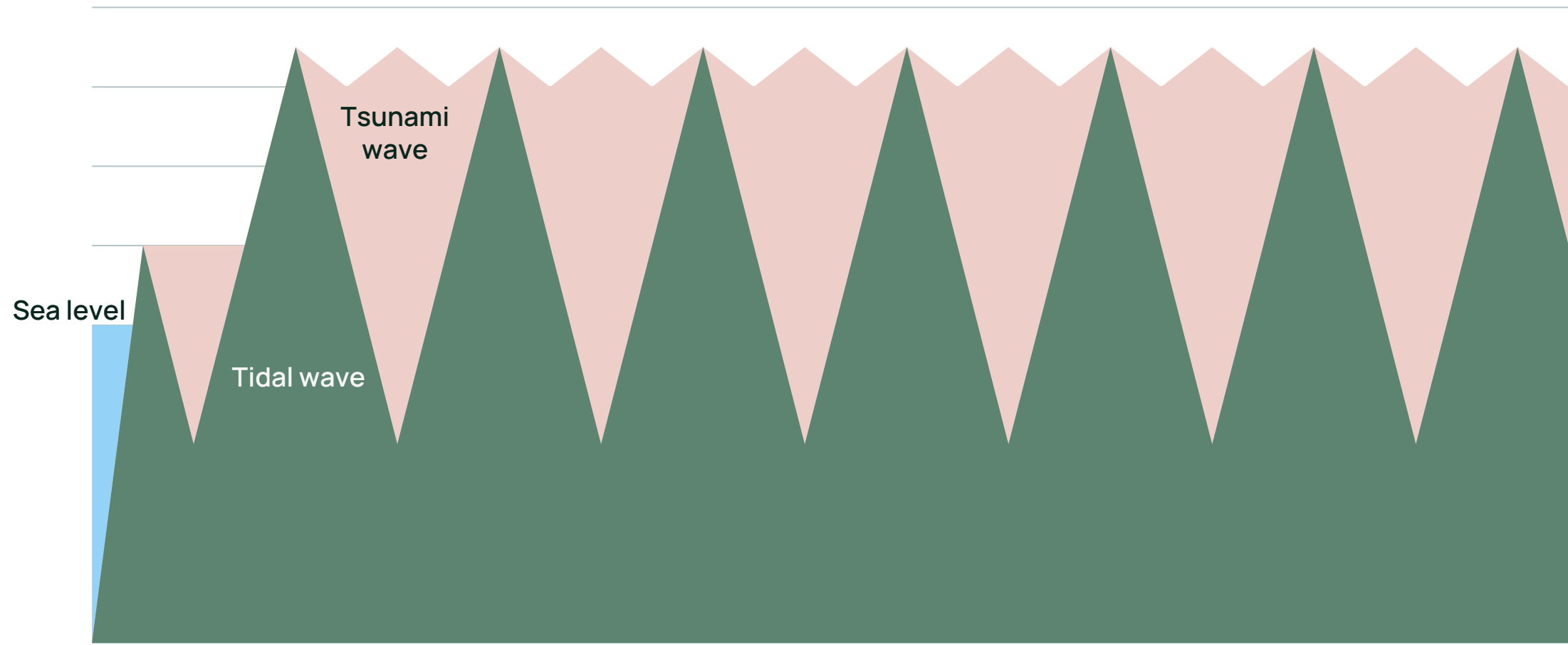
18th April 2023

 **Baltpool**
International biomass exchange

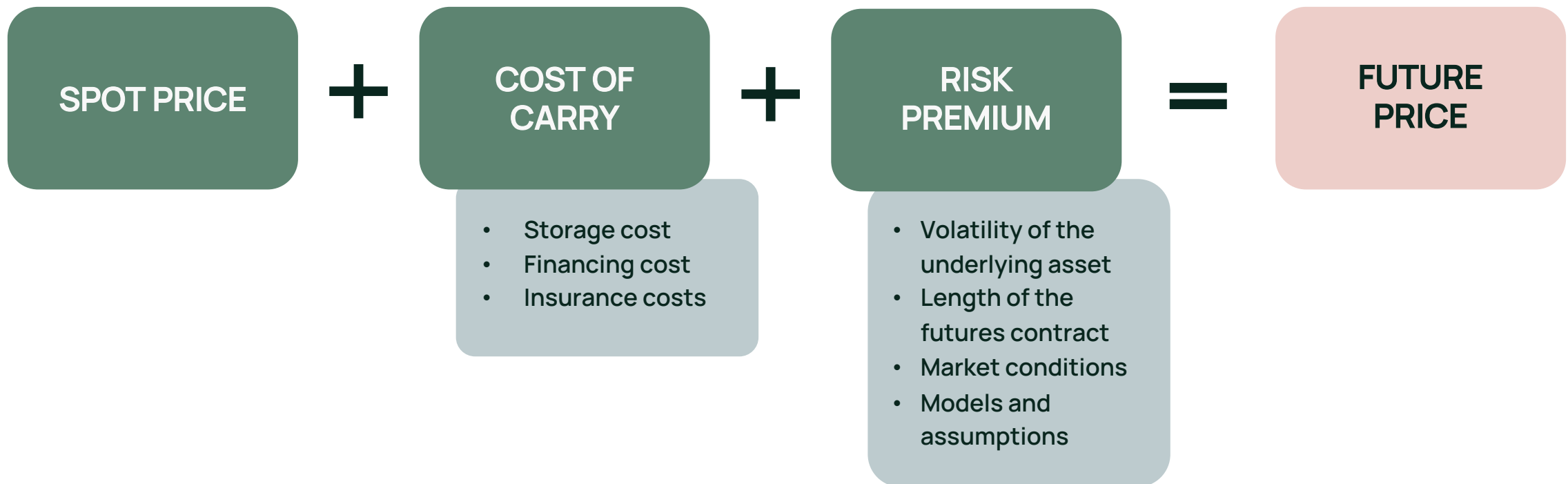
What is BALTPOOL International Biomass Exchange?

FAST, CONVENIENT, SECURE way
to buy biomass in ACTUAL market price

Tsunami wave vs tidal wave



Principles for calculating price for future contract



Beginning of September



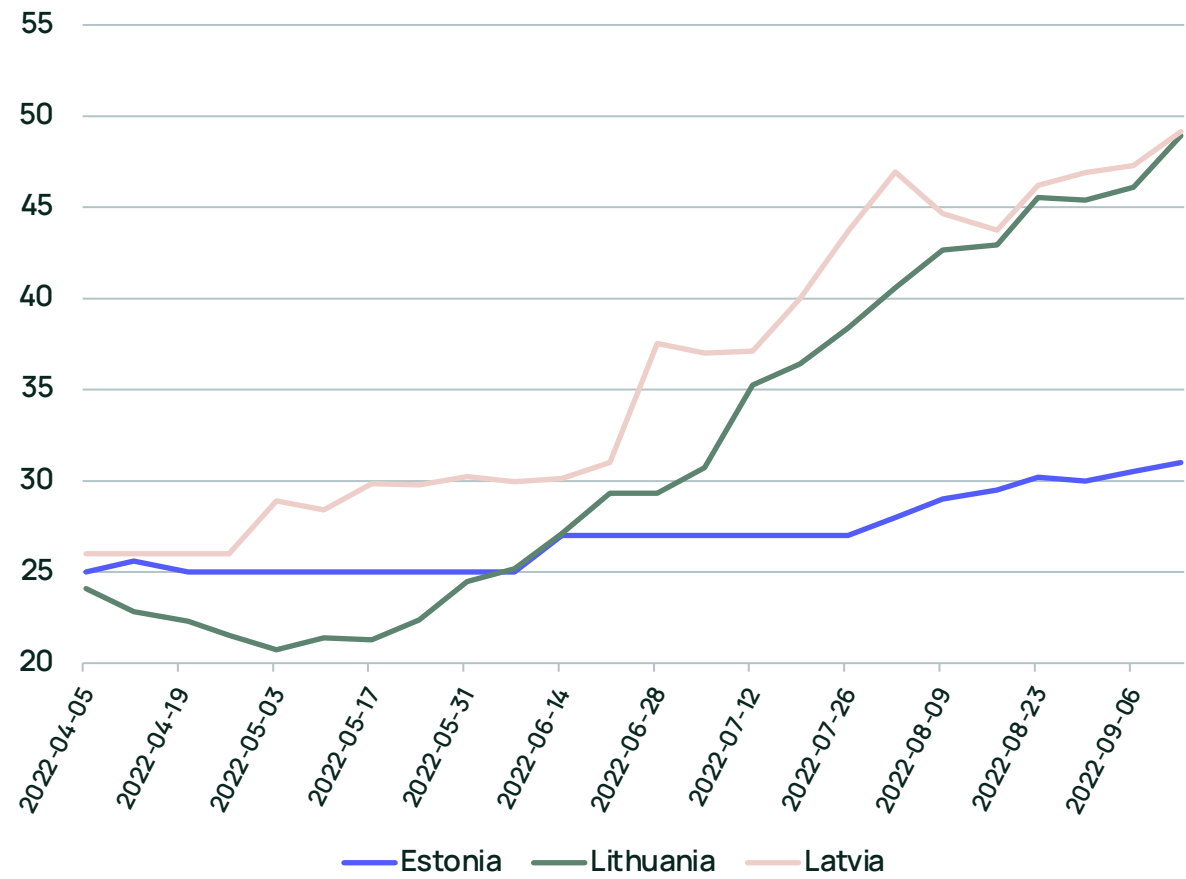
Emotional part

- First winter of the war in Ukraine
- Sanctions on biomass imports from Belarus and Russia
 - TTF gas price - 250-350 Eur/MWh
- Reduced psychological pressure due to the COVID epidemic
- Weak production of domestic biomass due to several years of uncontrolled imports from Belarus
 - The furniture industry renaissance reaches its peak

Rational part

- Nobody wants to sign long-term contracts for the coming winter

Emotional market reaction



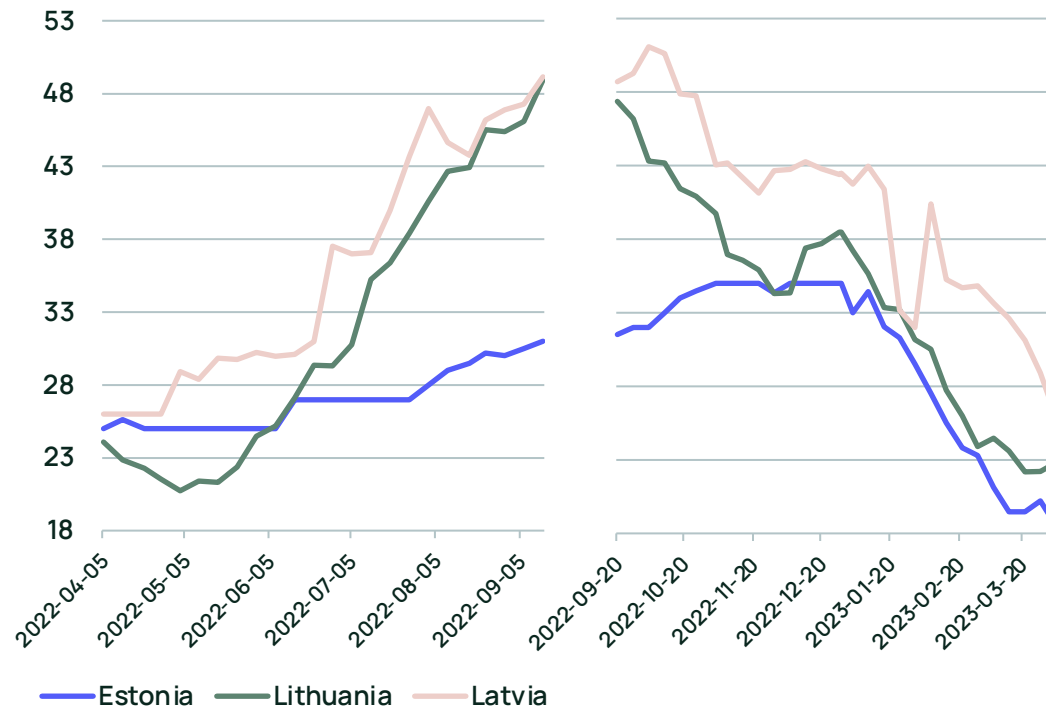
Risk premium becomes uncontrollable,
no one can calculate it



Market prices activate market

Forest areas with low-value trees and with no economic incentive to manage them have become more active

Beginning of April



Emotional part

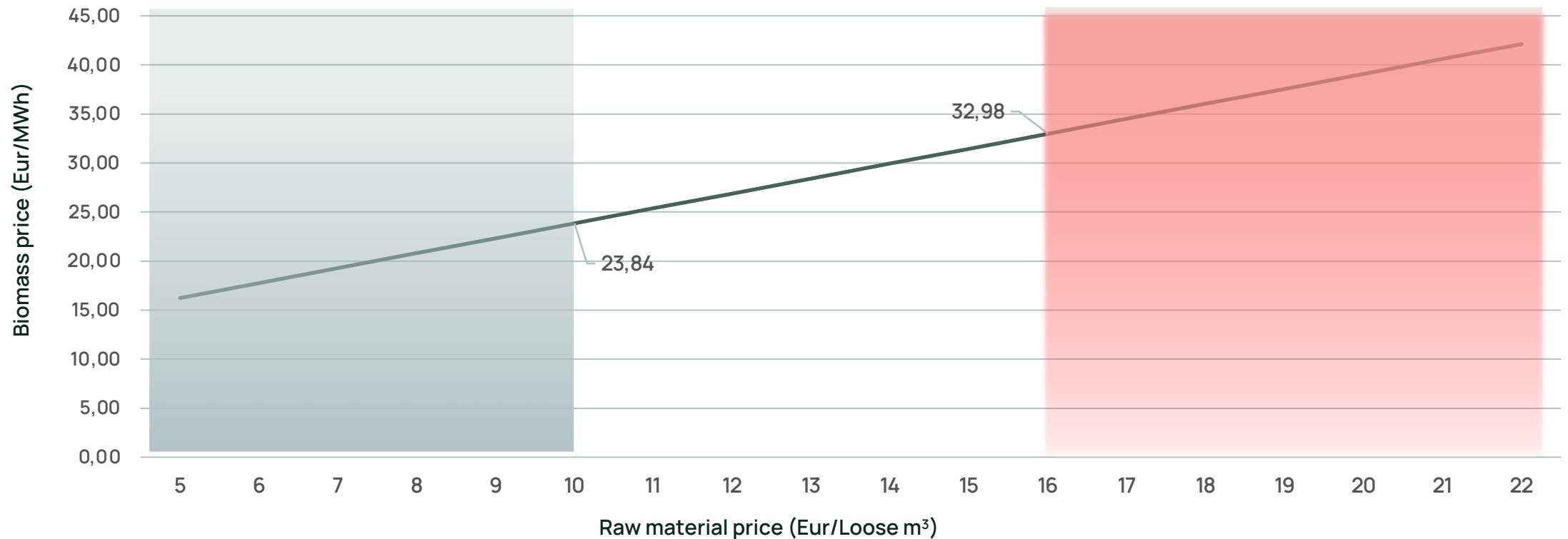
- Societies have become accustomed to the war situation
- Surplus production of biomass feedstock
- The warmest winter in history
- TTF gas price - 40-45 Eur/MWh

Rational part

- There is an urgent need to get rid of biofuels, as market conditions in summer are unfavourable for suppliers

Biggest problem in activating local biomass production

Biomass price dependence on biofuel feedstock prices



- Minimum price to ensure production of local raw material is 10-12 Eur/Loose m³. Production is currently slowing
- Green part – risk, that local production is slowing.
- Red part – price zone, when policymakers start to review of market mechanisms

Lessons learned

- SPOT market facilitates the calculation of the risk premium in the long term
- If market dominate long-term transactions, some suppliers gain power against other suppliers and are overpaid.
- The market for biomass raw material is a SPOT market, because private foresters do not use long-term contracts. It effects in biomass suppliers risk premium calculations.
- SPOT market provides another criteria for portfolio diversification.
- Local biomass activation is an expensive task.



Biggest next year challenges in Baltics

- 2M tons gap from Belarus still exists.
- New developments, especially Vilnius cogeneration plant – 0,5M tons.
- RED II requirements

Thank you

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