

European Industrial Market:

Southeast U.S.
Perspective



2012 PFI Annual Conference
Harold Arnold





Company Overview



Fram's History

2005	Fram Founded
2006	Joined PFI
2007	ACP Complete
2008	Production
2010	ACP Expansion
2011	Established USIPA
2011	TFP Position



European Industrial Market



Extreme
Market
Variation

Post Tilbury Era

- ❖ February 2012 fire resulted in units 8,9, and 10 being taken offline.
- ❖ Subsequently, Spot cargo prices for pellets fell sharply over the summer
- ❖ Unit 8 was restarted in late June and unit 9 and 10 will hopefully be online in the near future.
- ❖ Demonstrated extreme volatility of the fragile market conditions in the pellet industry.



Contract Pricing Obstacle

	Bid		Ask		Price	
	(EURO)	(USD)	(EURO)	(USD)	(EURO)	(USD)
WP Sep-12	127.50	156.62	135.41	166.34	131.45	161.47
WP Oct-12	128.53	157.89	136.36	167.50	132.44	162.69
WP Nov-12	132.40	162.64	137.55	168.97	134.98	165.81
WP Q4-12	129.60	159.20	137.97	169.48	133.79	164.35
WP Q1-13	133.27	163.71	140.31	172.36	136.79	168.03
WP Q2-13	133.08	163.48	140.39	172.46	136.74	167.97
WP Cal-13	133.29	163.73	141.90	174.31	137.59	169.02
WP Cal-14	135.43	166.36	145.78	179.08	140.60	172.71
WP Cal-15	138.33	169.92	147.00	180.57	142.67	175.26



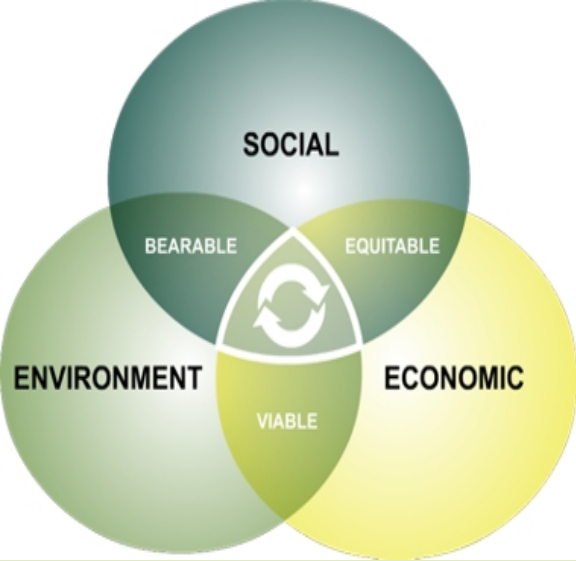
UK Biomass Policy

Co-firing %	ROC Subsidy Per Mwh	
	2013-2014	2015-2016
Up to 50%	0.3 ROC	0.5 ROC
50-85%	0.6 ROC	2014-2015
85-100%	0.7 ROC	0.9 ROC

Conversion	ROC Subsidy	
Coal to Biomass	1 ROC/Mwh	
	Thru 3/2016	After 3/2016
Dedicated Biomass	1.5 ROC/Mwh	1.4

❖ Implications

- The UK could require 15 million tons of wood pellets by 2016
- Most large users will likely move toward a conversion to attain 1 ROC compared to co-firing.
- Quick Deployment of resources by users and producers.
- Sustainability Criteria to be added later.



Sustainability



The Good

The Bad

and the...

UNINTENDED

Environmental vs. Economic Sustainability

Important Considerations

Return to Land Owner

Conversion to a Money Crop

Customer Responsibility

Economic Supply Chain

Logistics



All parts of the supply chain MUST share responsibilities influencing BOTH environmental and economic sustainability

U.S. Southeast



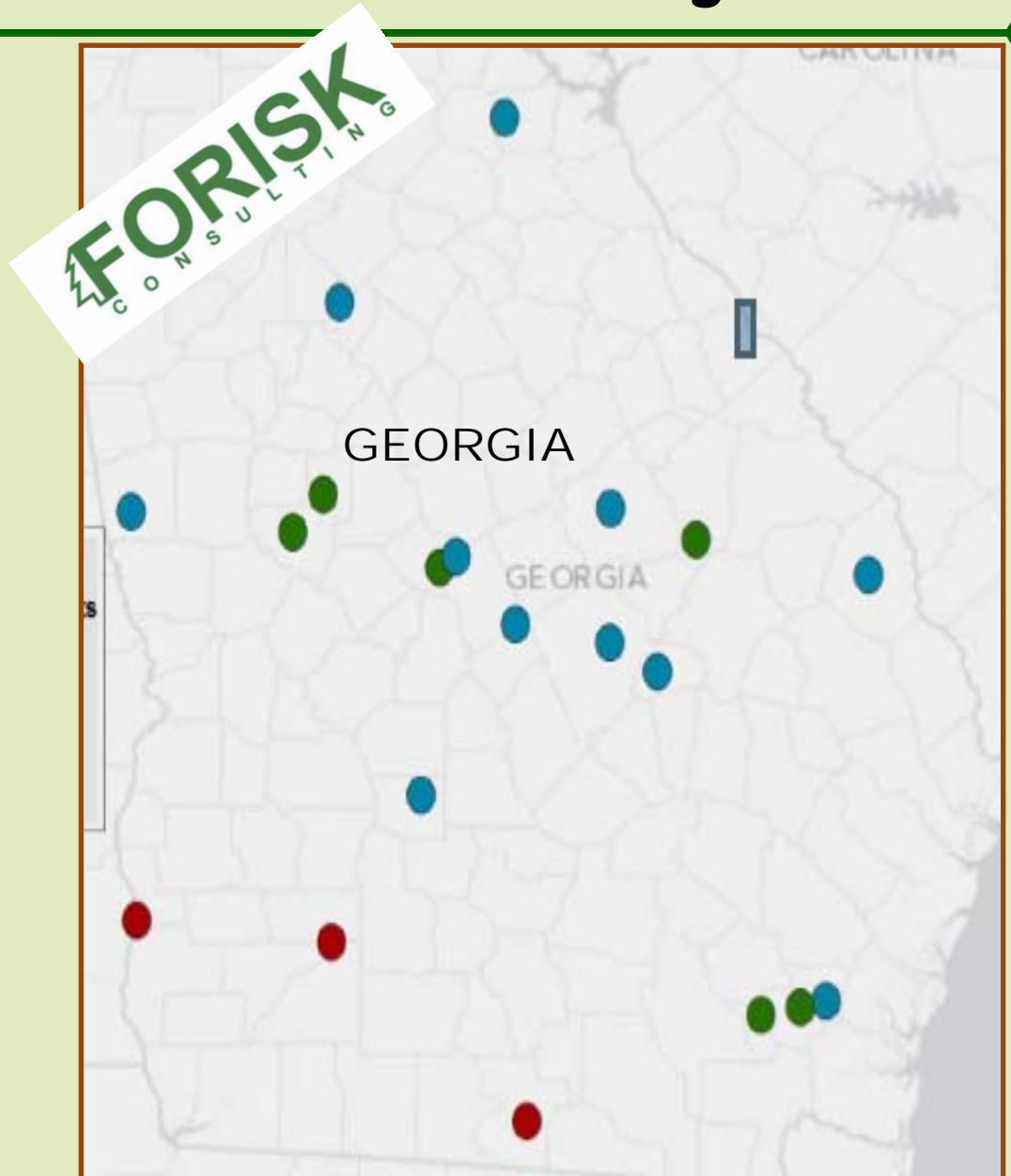
Georgia Wood Pellet Projects

3 On Hold

11 Proposed

6 Under Construction

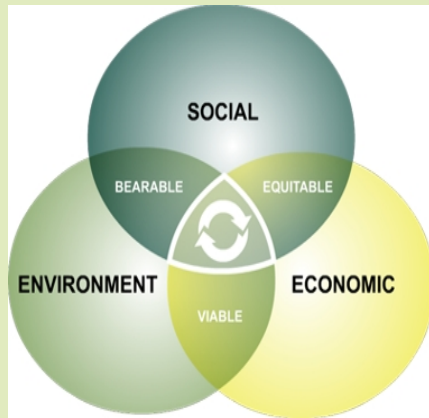
20 Pellet Projects Total



Obstacles for U.S. Southeast

SUSTAINABILITY: Environmental vs. Economic

GREENPEACE



The Future....

Opportunity

Obstacles

Opposition

Obligation



Get Involved



U.S. Industrial Pellet Association

