

World's Largest Pellet Plant to Start by Year-End

By [The Moscow Times](#)

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Vyborgskaya Cellulose, a Russian pulp and paper maker, said Friday that it expected to start producing pellets that can be used in heat and electricity generation from its plant in Vyborg by the end of the year.

The plant, located in northwest Russia, will eventually produce about 900,000 tons of pellets per year, making it the largest in the world once operational, said Irmgard Herold, an industry analyst at Bloomberg New Energy Finance.

Swedish trading house Ekman & Co., which has an exclusive sales agreement with Vyborgskaya, is initially looking to sell "large volumes" of the pellets to industrial users, Arnold Dale, vice president of bioenergy for Ekman, said by e-mail.

"We do, however, already have several smaller contracts to supply premium-grade wood pellets to small combined heat and power plants in Scandinavia," Dale said. "Talks are

ongoing with potential distributors in key European consumer pellet markets."

The pellets will not be "significantly" cheaper because of large-scale production, Dale said. "Economies of scale can only provide savings on a small percentage of the costs. The main costs, like raw material and even the capex, are what they are, and no great savings are available."

The pellets will be produced using round wood, said Dale, and Vyborgskaya has several large 49-year leases on forest land in the Leningrad and Pskov regions. Raw material should comprise about 60 percent of overall production costs, he said.

At present, U.S. producers supply most West European power stations, Herold said, while most residential demand is supplied by European producers. "We do expect to be able to compete with the Americas, especially as there is less currency risk and much shorter shipping distances," Dale said.

In February, Vyborgskaya said the plant would cost about \$100 million to build. Of this, VTB Group provided \$41 million, and Tavrichesky Bank \$10 million.

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