

Wood Pellets Market Set to Reach USD 27.7 Billion by 2035 Key Growth Drivers and Trends | TMR Report

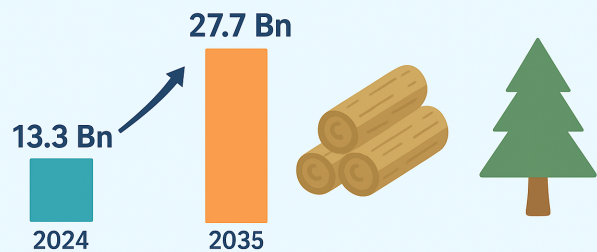
Governments, especially in Europe and Asia, are embracing biomass energy as an achievable pathway to phase out coal.

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EINPresswire.com/ -- The global [Wood Pellets Market](#) was valued at USD 13.3 billion in 2024 and is projected to reach USD 27.7 billion by 2035, growing at a CAGR of 6.9% from 2025 to 2035. The market growth is driven by increasing demand for renewable energy sources, rising environmental concerns, and the need for sustainable fuel alternatives across residential, commercial, and industrial sectors.

WOOD PELLETS MARKET OUTLOOK 2035

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It is estimated to grow at a CAGR of 6.9% from 2025 to 2035

Wood Pellets Market

The global wood pellet market is poised to continue to grow at a decent CAGR of 6.9% as decarbonization, energy security, and innovation enable adoption. Wood pellets provide high-energy density, a consistent size, and transportability that leads to straightforward replacement of fossil fuels for electricity and heating.



Global Wood Pellets Market
Growth at 6.9% CAGR:
Renewable Energy Demand
Fuels Expansion"

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Europe accounts for 65% of the global pellet market and is

the strongest driver of demand supported through commitments like RED II, the widespread reference of wood pellets in district heating, burner technology, and in utility-scale biomass power generation. Although North America is a matured market, it has solidified its role as the major supplier to Europe and Asia, with established forestry resources and industrial-scale

production capacity.

Market Segmentation

The wood pellets market is segmented based on various factors, including application, feedstock, grade, and region.

By Application:

Industrial: This segment is projected to dominate the market, with large-scale applications in utility-scale power generation and combined heat and power (CHP) plants. Industrial players are increasingly seeking carbon-neutral alternatives to coal to meet strict emissions targets.

Residential: The residential heating segment is a major driver of the market, fueled by consumer demand for sustainable and cost-effective heating solutions. The use of pellet stoves and boilers is on the rise, especially in regions with cold climates.

Commercial: The commercial sector, including institutional heating for schools, hospitals, and office buildings, is also a growing application area.

Animal Bedding and Others: Wood pellets are also used in niche markets such as animal bedding, where their absorbent and low-dust properties are valued.

By Feedstock:

Forest/Wood Residue: This remains the largest and most reliable feedstock segment, accounting for a significant portion of the market. It includes residues from sawmills, forestry operations, and finished wood products.

Agricultural Residue: The use of agricultural waste, such as crop residues, is a growing segment that promotes waste management and diversification of raw material sources.

By Grade:

Premium Grade: Pellets with very low ash content (up to 1%), typically used for residential heating applications.

Standard Grade: Pellets with an ash content of up to 2%.

Utility Grade: Pellets with a higher ash content (up to 6%), primarily used for large-scale industrial and utility applications.

By Region:

Europe: Europe is the largest consumer and producer of wood pellets, driven by stringent emissions targets, renewable energy directives, and supportive government policies. Key markets include the UK, Germany, Italy, Denmark, and France.

North America: North America, particularly the U.S. and Canada, is a leading exporter of wood pellets to Europe and Asia. Domestic demand is also rising due to carbon taxes and increasing fossil fuel prices.

Asia-Pacific: This region is poised for significant growth, with countries like Japan and South Korea actively transitioning to biomass for power generation and CHP systems. China is also a key market.

Latin America & South Asia: Emerging markets in these regions, such as Brazil and India, are showing increasing interest in wood pellets for biomass-to-energy programs and rural electrification.

Regional Analysis

The regional landscape of the wood pellets market is characterized by a strong dichotomy between production and consumption. Europe remains the dominant consumer, driven by its aggressive decarbonization policies and a well-established infrastructure for biomass energy. North America, with its abundant forest resources, acts as a primary supplier to the European and Asian markets. The Asia-Pacific region is a fast-growing market, particularly for industrial applications, as countries like Japan and South Korea aim to diversify their energy sources and reduce their carbon footprints.

Market Drivers and Challenges

Market Drivers:

Growing demand for renewable energy: The global shift away from fossil fuels is the single most significant driver.

Government policies and incentives: Favorable government regulations, carbon credits, and subsidies for biomass energy are accelerating adoption.

Decarbonization efforts: Industries are increasingly turning to wood pellets as a way to reduce their carbon footprint and meet sustainability goals.

Energy security concerns: The geopolitical landscape has underscored the need for countries to diversify their energy sources and reduce dependence on imported fossil fuels.

Market Challenges:

Raw material supply volatility: The supply of wood residue can fluctuate with the cycles of the forest product industry, leading to price volatility.

Competition from alternative renewables: The market faces competition from other renewable energy sources like wind and solar, which are also experiencing rapid growth and are often supported by favorable policies.

Logistical and supply chain constraints: The high cost of transportation and the need for efficient logistics, from raw material sourcing to delivery, can be a challenge.

Sustainability standards and regulations: Meeting strict sustainability certifications and navigating a complex regulatory landscape can be a hurdle for producers.

Market Trends

Technological Advancements: Innovation is reshaping the market. This includes the development of more efficient pellet production processes, such as torrefaction, which produces a denser, water-resistant pellet.

Diversification of Feedstock: There is a growing trend to utilize agricultural residues and other non-wood biomass sources to reduce reliance on forestry by-products and enhance feedstock security.

Increased Focus on Traceability and Sustainability: Buyers, especially in Europe, are demanding greater transparency and accountability in the supply chain. This has led to the widespread adoption of certifications like the Sustainable Biomass Program (SBP).

Rise of Decentralized Energy Systems: The use of wood pellets in smaller, decentralized systems for district heating and CHP is gaining traction, providing a flexible and reliable energy solution for communities and businesses.

Future Outlook

The future of the wood pellets market is promising. As the world continues its transition to a low-carbon economy, the demand for sustainable and renewable energy sources will only increase. Technological advancements will continue to improve the efficiency and quality of wood pellets, while evolving supply chain practices will enhance their sustainability credentials. The market is expected to expand beyond its traditional strongholds in Europe and North America, with significant growth opportunities in Asia-Pacific and other emerging regions.

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Key Market Study Points

Market size and growth projections from 2025 to 2035.

Detailed segmentation analysis by application, feedstock, grade, and region.

In-depth evaluation of market drivers, challenges, and trends.

Comprehensive regional analysis of key markets, including Europe, North America, and Asia-Pacific.

Examination of the competitive landscape and key player strategies.

Competitive Landscape

The wood pellets market is highly competitive, with a mix of large global players and smaller, regional companies. Competition is based on factors such as price, product quality, distribution reach, and sustainable sourcing. Key players are focusing on expanding production capacity, optimizing logistics, and securing long-term supply contracts. Some of the major players in the market include Enviva Inc., Drax Group PLC, AS Graanul Invest, Lignetics Inc., and The Westervelt Company.

Recent Developments

Enviva Inc.'s restructuring: In a notable development, Enviva Inc. successfully exited Chapter 11 bankruptcy in 2024, demonstrating a significant turnaround and a renewed commitment to its long-term growth as a leading producer.

Strategic brand launches: Companies are increasingly focused on brand differentiation. For example, Graanul Invest launched a new premium pellet brand, "g Graanul," in 2024 to cater to increasing consumer demand for locally sourced, sustainable heating options.

Increased investment in industrial-scale projects: Governments and private entities are investing in large-scale conversions of coal-fired power plants to biomass, such as France's plan to convert two power plants to biomass pellet fuel by 2027. This highlights the growing role of wood pellets in national energy strategies.

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