



The Myth of Free Wood

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As oil prices climb to once unimaginable levels, and we watch electricity prices continue their upward march, entrepreneurs are flocking to biomass energy. Using wood to create energy is nothing new in our region. Wood was our first fuel and continues to be the heat of choice for many in the Northeast, and the region is scattered with wood-fired power plants that take low-grade wood to produce green electricity. In the past few years, we have seen pellet firms emerge as real players in the wood-to-energy field, and tomorrow promises advancements in wood as a feedstock for transportation fuels such as ethanol.

To date, the wood-to-energy industry has been dominated by firms that were wood companies first, energy firms second. These firms often grew out of sawmills or paper companies, bringing a clear knowledge of the complexities and nuances of the forest products industry – an industry with a highly fragmented structure, involving hundreds of landowners, loggers, foresters, and wood-using industries working with and against each other.

That has changed. More and more traditional “energy companies” are trying to enter the field – firms that made their mark in the natural gas, coal, and oil industries.

In my role as a consultant, I have worked with dozens of energy companies to help them understand, evaluate, and act on opportunities in the wood-energy field. Many of these firms hail from Dallas or Houston or serve as energy investment bankers in New York City. They see opportunity in wood and are looking for ways to make money – and often ways to make a difference – by harnessing their knowledge and experience and applying it to a new field. That’s a good thing.

Of course, these folks often don’t understand the wood industry and their potential role in it. Almost universally, the initial conversation includes them saying something like, “If I can get the wood for free, I can really make this project work.” Never a truer statement was made. Of course, “free” is the extreme. Some come with an expectation to pay for wood, but it is often well below any reasonable market price. This is particularly true following the closure of a pulp mill, when many developers seem to think that huge volumes of “cheap” wood are flooding the marketplace, apparently unaware that all logging equipment comes with an “off” switch and that wood stores quite well on the stump.

We all know that it costs money to grow, harvest, and transport wood. Landowners practicing good forestry see infrequent revenue from each particular stand, and it can be decades

between any revenue at all. When a harvest does occur, it is sawlogs for lumber that make the most money for landowner, but markets for pulpwood and biomass are important as well. Loggers, of course, also assume costs: felling, skidding, chipping, and transporting wood cost money, and loggers need to make a fair return on their work.

In my office, dispelling “the myth of free wood” has become an almost weekly event. It is easy to wonder how so many people got such a notion, but then I look at the language the forestry community has long used to describe wood used for energy purposes. It is often called “residue” from harvests or manufacturing, giving the impression that it is wasted, just hanging around looking for a home. At best we think of wood for biomass as “low grade” (which it is), but that doesn’t give the outsider an impression of a product with real value.

On the other side of the equation, I’ve met many landowners over the last few years who see the rise in energy prices as their opportunity to get rich. They see themselves as the next incarnation of the Saudi oil sheik, and their wood – and the wood of their neighbors – as such a vast energy reserve that they’ll soon be laughing all the way to the bank. Do they know that the folks looking to buy their wood are hoping to get it for free?

Wood contains energy, but only so much of it. Existing technologies can convert wood to thermal and electric energy, and do so well. However, these still compete against traditional fuels – mostly fossil in origin – and biomass is just now becoming attractive against these dominant industries. The future promise of ethanol, bio-oil, and other liquid fuels from wood is great, but it remains that – a promise. When these technologies do reach commercial maturity, expect them to be limited by the laws of physics and economics in the amount they can pay for wood. I know some cellulosic ethanol developers, and I can assure you none of them have asked for help in finding expensive wood.

The myth of free wood and the myth of the oil sheik woodlot landowner are laughable, but they offer real challenges to the effective, rational, and responsible deployment of biomass projects. In the Northeast, where we face high energy costs and have an abundance of forests, it is in the interest of both the forestry community and the energy companies to better understand one another’s needs and businesses so that we can move forward together with reasonable expectations.

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