

ENERGY

Asia Biomass opens facility upstream for wood pellets

YUTHANA PRAIWAN

Asia Biomass Plc (ABM), Thailand's largest biomass feedstock producer, will set up a 160-million-baht wood pellet facility as it moves to diversify upstream.

ABM signed a joint venture agreement with Fancy Wood Industries Plc, a local saw mill operator, to set up Fancy ABM Co in Surat Thani. ABM will hold 49% of the project, and Fancy will own the remaining 51%.

Managing director Tiyada Kuansataporn said Fancy ABM will help the company secure raw material and reduce costs as demand for wood pellets shoots up in the coming years, mainly from South Korea and Japan.

The wood pellet plant is expected to start operations by the fourth quarter this year. The facility will have a monthly capacity of 5,000 tonnes in the first phase of the project. The second phase, to be completed in 2019, will add another 5,000 tonnes of capacity, she said.

Fancy ABM will serve as a pilot business model for the company's upstream diversification strategy, as the renewable sectors in South Korea and Japan grow thanks to concerns about greenhouse gas emissions.

The global price of wood pellets stands at US\$130 per tonne, up from \$90 at the end of last year. The price is expected to remain flat for the next two years, before increasing again in 2020.

Japan has replaced several nuclear

power plants with renewables after the 2011 Fukushima incident.

Part of the investment budget will come from ABM's IPO. The company recently filed a request for approval with the Securities and Exchange Commission of Thailand.

ABM is expected to float 75 million shares in the Market for Alternative Investment, or 25% of its total equity.

ABM is also studying the possibility of expanding its wood pellet business into Vietnam, a country with abundant husk resources, one of the main biomass feedstocks.

Rice husk feedstock in Thailand is fluctuating because of high demand from biomass power plant operators, said Ms Tiyada.

ABM plans to build an additional 20-million-baht wood chip plant in Surat Thani, which will have a capacity of 15,000 tonnes per month, she said.

Ms Tiyada expects export revenue this year to double from last year to 20% of total sales.

Higher demand of biomass in Asia will drive export revenue to 25% within 2022, she said.

ABM does not plan to diversify into the power plant sector, which is already highly competitive, said Ms Tiyada.

ABM operates eight warehouses in Indonesia, Malaysia and Thailand, which store palm shells, wood chips and sawdust pellets.