



MADISON'S TIMBER PREVIEW

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Idled mills globally, whether solid wood, pulp, or paper, are proving to be an excellent investment for the burgeoning green energy sector. In the past four weeks alone there have been no less than 10 announcements of partnerships and integration between forest products companies and energy producers, to a total investment value of over \$1.4 billion. Companies in Canada, the US, the UK, the Netherlands, and Australia are working together to build capital projects that will provide power cogeneration of various kinds to forestry processing facilities.

If there has been doubt in anyone's mind about the value of biomass, specifically forest residue, as fuel, and the potential bonanza as a business opportunity, it should--with these new developments--evaporate.

Domtar Corporation Thursday, April 8, announced that it will proceed with two projects to improve energy conservation, increase renewable power generation and reduce particulate emissions at its Kamloops, BC, pulp mill. The capital investment of \$57.6 million will be entirely funded by credits received from the Government of Canada's Pulp and Paper Green Transformation Program. Also, the Boldt Co. will provide all construction services for We Energies to build a 50-megawatt biomass cogeneration plant at the Domtar Paper Mill in Rothschild, WI. The construction company said March 22 the project is valued at \$255 million.

Nova Scotia Power and NewPage Port Hawkesbury reached an agreement April 5 to develop a \$200 million facility in Cape Breton to generate electricity by burning biomass. They are planning a 60-megawatt biomass project that could produce three per cent of the province's electricity to supply 50,000 homes.

International Paper announced March 29 that it has signed an exclusivity agreement with Integrated Energy Systems International Limited to create a £60 million (C\$92 million) green energy centre at its former Inverurie Mill site in the North East of Scotland. The companies intend to create a 17-megawatt generating capacity biomass fuelled energy centre with an integrated wood pelleting plant capable of processing 250,000 tonnes of locally sourced timber, annually.

SFK Pulp Fund said on April 5 it is stepping up its green energy capacity with construction of a turbo-generator at the existing cogeneration plant at its Saint-Felicien, QC, pulp mill. The project has \$20.9 million support from the Federal Pulp and Paper Green Transformation Program. SFK said the turbo-generator project will improve the mill's efficiency and also provide extra revenue. The 9.5MW of power generated will be sold entirely to Hydro Quebec on long-term contract from December 2012.

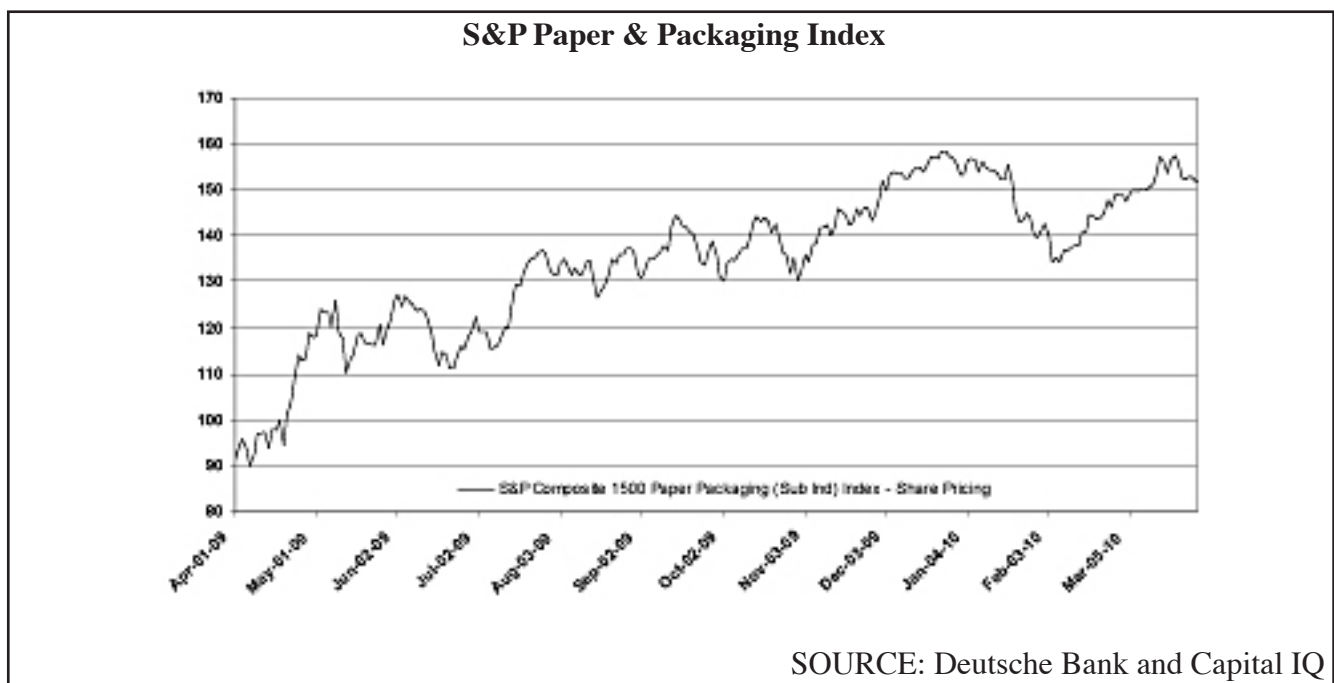
The Packaging Corporation of America is investing US\$225 million to expand and upgrade its Lowndes County, GA, operation. By the end of the 2011, they'll be able to power the plant using primarily its own byproducts instead of fuel. Two of the three outdated boilers that will be replaced in order to use the steam that comes off that boiler in a new turbine that will drive a 53 watt generator.

Norske Skog is looking seriously at building a \$100 million power plant at Ettamogah, in New South Wales, Australia, to generate electricity for newsprint production and future industries nearby. The new plant could provide up to half the newsprint mill's electricity requirements, now 725,000 megawatt hours per year, and all the required steam.

As detailed in the last issue of your Madison's Timber Preview, Fortress Paper expects to spend approximately \$153 million to convert the idled former Fraser Papers northern bleached hardwood kraft mill in Thurso, QC, into a high quality specialty cellulose mill and to construct a new 25 megawatt cogeneration facility.

Tacoma Simpson Kraft, out of Washington State, is in the midst of a three year investment project involving capital upgrades and the building of a cogeneration facility. Simpson has invested \$400 million in the pulp mill and \$100 million in an adjacent sawmill. Renewable biomass now makes up more than 90 per cent of fuel used in the mill, and an electrical co-generation project begun last year is lowering greenhouse gas emission by 80,000 tons a year.

Buckeye Technologies Inc. of Memphis, TN, is in the construction phase of a \$45 million energy project at the company's pulp mill in Perry, FL. Buckeyes' Foley Energy Project is planned for completion later this year.



The solid wood market is firming significantly on steady sales, with prices rising sharply, and extended order files. Log supplies are tight due to purchases by overseas customers. Northern softwood kraft (NBSK) pulp prices continue to rise in North America and in Europe on flat inventories in March compared to February, but down 23 per cent over February 2009 according to FOEX.fi . European market pulp prices were up US\$8.04 this week to US\$897.12 per metric ton, while North American market pulp prices rose US\$19.07 to US\$921.04 per metric ton this week. Several producers have announced between US\$40 and US\$60 per metric ton price increases effective April 1. Domtar, International Paper and others are increasing uncoated freesheet paper prices by US\$60 per metric ton for May, which will bring both cut-size and roll grade prices to US\$1110-1170 per metric ton according to Deutsche Bank.

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