



John Colquitt, President

colquitt@framfuels.com

Harold Arnold, Vice President

arnold@framfuels.com

6001 Chatham Center Drive
Orlean Bldg – Ste 150
Savannah, GA 31405

(912) 233-8805 office

(912) 233-8837 fax

Export Marketing of Fuel Pellets

Small Wood 2006

- Land Owner's Objectives
- Fram's Objectives

Land Owner's Objective

- Find Market for Small Wood
- Grow for CNS & Big Log Markets

Fram's Objective

- Develop the Export Pellet Market
- Locate Raw Material
- Utilize Smallwood

How Export Market Developed

- European Market
- Wood Chips
- Discovered Pellets in Sweden in 1993

Sweden Leads The Way

- Taxes Fossil Fuels Heavily
- Taxes on Emissions
- Incentives for Converting
- Strong Environmental Law

European Environmental Law

- Laws vary by country
- Swedish Laws
- EU 1992
- Kyoto

Kyoto Treaty Obligations

- Greenhouse Gases Reductions
- 5.2 % Below 1990 Levels by 2002
- 8.0 % Further Reduction – 2012
- Equals 29% Overall Reduction

EU Compliance Approach

- Swedish – Tax
- Dutch – Subsidies
- UK – ROC's
- Danish – Subsidies
- Biomass Action Plan

Wood Pellet Export Business

- Capital Intensive
- Ocean Freight
- Marketing Cost are High
- Customer Commitment Lacking
- Political Support

High Capital Investment

- Heavy Size Reduction Equipment
- High Cost / Low Production Equipment
- Drying / AQ Concerns
- Large Mill Site Needed

Freight

- Inland
- Few Export Ports
- Ocean Freight

Baltic Dry Bulk Index

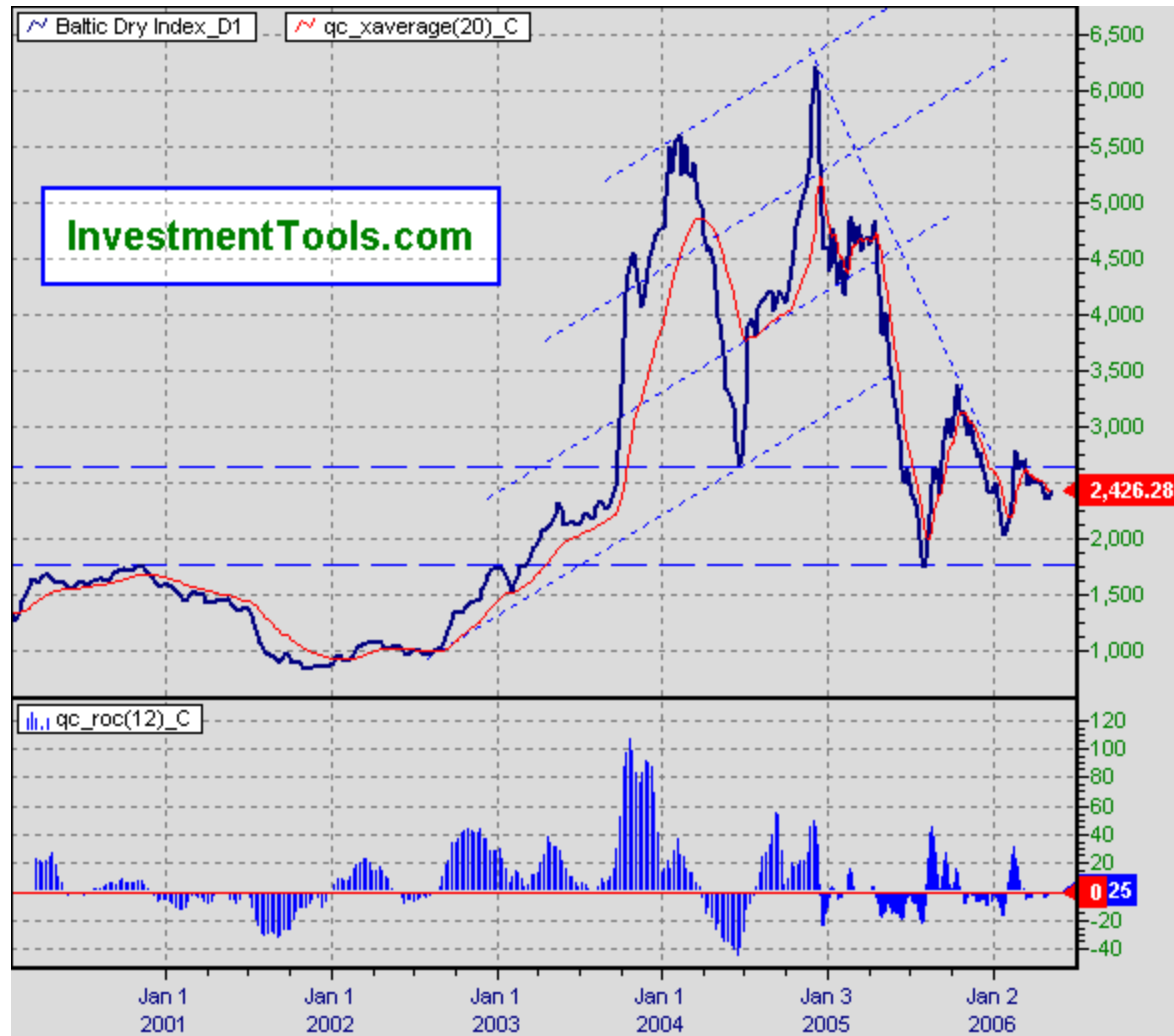


Chart created with NeoTicker EOD © TickQuest, Inc. 1998-2004

Marketing Cost High

- Dispersed Geographically
- Multi Language
- Multi Culture
- Expensive Travel
- Currency Conversion / Hedging



Buyer's Profile

- Generally Lacking Commitment
- Coal as a commodity doesn't require term
- Short-Term doesn't permit recovery of investment

Where is the Market Heading?

- Environmental Policy (Political)
- Asian Market (Japan)
- Southern Europe

Competing Interests

- Major European Pellet Manufacturers
- European Ag Based Fuels
- Russian Forests
- Domestic Boilers
- Domestic Pellet Mills

Export Market Potential

- Pellet Mills are a Potential Market for small wood, but economics will be a problem
- Need Harvesting Systems Development
- Mill Residues + Logging Slash + Smallwood
- Price – Cost Structure



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