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Wood pellet market heats up as oil prices soar

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While New England baked in the year's first heat wave last weekend, not everyone was focused on keeping cool. At [Higgins Alternative Energy Inc.](#)'s retail store in Barre, Mass., approximately 30 customers were buying wood-pellet stoves — worried more about staying warm next winter than keeping cool now.

[Ron Higgins](#), owner of the 30-year-old Higgins Alternative Energy, called it a burst of activity for his shop and conceded that it's a reaction to the recent jump in oil prices. He also suggested that this spring's activity may not be replicated in years to come. But on the supply side of the wood pellet industry, a pair of local companies are betting that while the price of oil may ebb and flow, wood pellets have a long-term place in the nation's alternative energy future.

Last week, [American Biomass Corp.](#), a web-based technology company that has applied its transaction-processing platform to the nationwide distribution of wood pellets, landed \$4 million in its first round of venture funding from Boston-based technology venture capital firm [.406 Ventures](#). While the company has already built a network of more than 25 wood pellet manufacturers and 50 carriers, mostly in the Northeast and Pacific Northwest, the new funding is expected to help the company expand its footprint and streamline the

distribution process to a greater swath of the U.S. and Canada.

"I got into this because I thought it has a 20-year growth curve, and we got in right at the beginning," said [Jon Strimling](#), an MIT graduate and founder and CEO of Manchester, N.H.-based American Biomass.

Growth is also coming to New England on the manufacturing side: One-year-old Woodstone USA LLC, based in Hingham, can produce 50,000 tons of pellets at its manufacturing plant in Michigan. The company is in the final stages of the permitting process for two new plants, one in Moreau, N.Y., and one in Berlin, N.H. Each of those plants, when completed, will be capable of producing 100,000 tons of product per year, with an option at the Berlin facility to expand by another 100,000 tons.

[Justin Moran](#), director of sales and marketing for Woodstone, said demand for their product has been increasing quickly, and it's opening new distribution channels.

"We're getting calls from people that have been delivering fossil fuels for 20 or 30 years,"

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he said. "They are looking for a way to get into alternative fuels because when their customers look at alternative sources, they aren't even thinking of them."

Woodstone is expected to begin production of pellets at both facilities by the third quarter of 2009, according to Moran.

According to a report from the [Biomass Energy Resource Center](#) in Montpelier, Vt., one ton of pellets can provide the same heat as 120 gallons of heating oil or 170 gallons of propane. Conversely, paying \$200 per ton for pellets — an average rate around the country — is akin to paying \$1.67 per gallon for heating oil.

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