



Recent Developments and Future Outlook for the Global Industrial Wood Pellet Market
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FORWARD-LOOKING AND CAUTIONARY STATEMENTS

Forward-Looking Statements

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Industry and Market Data

This presentation has been prepared by Enviva and includes market data and other statistical information from third-party sources, including independent industry publications, government publications or other published independent sources. Although Enviva believes these third-party sources are reliable as of their respective dates, Enviva has not independently verified the accuracy or completeness of this information. Some data is also based on Enviva’s good faith estimates, which are derived from its review of internal sources as well as the third-party sources described above.



AGENDA

About Enviva

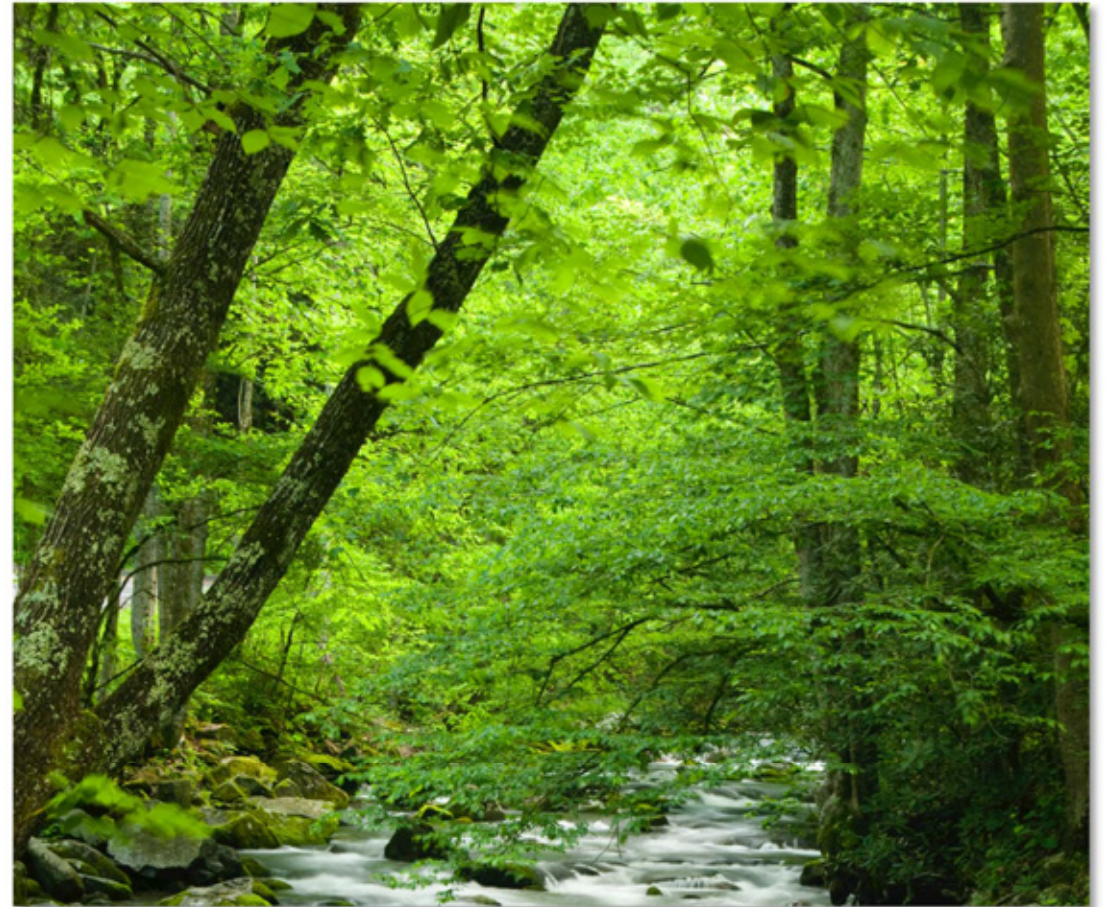
Market at a Glance

European Markets

Asian Markets

Differences in Customer Requirements

Looking Forward





ABOUT ENVIVA



ENVIVA IS WORLD'S LARGEST SUPPLIER OF UTILITY-GRADE PELLETS TO MAJOR POWER GENERATORS

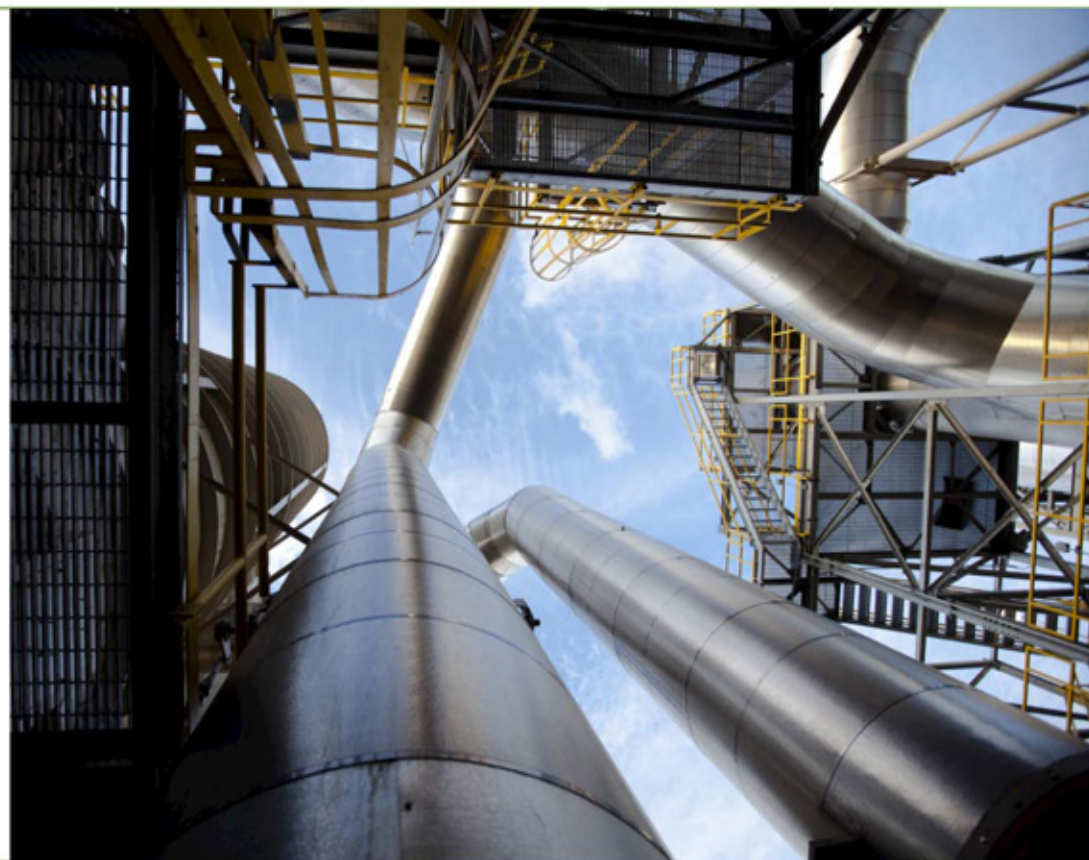
§ ~3 million MTPY production capacity

§ Access to robust fiber basket

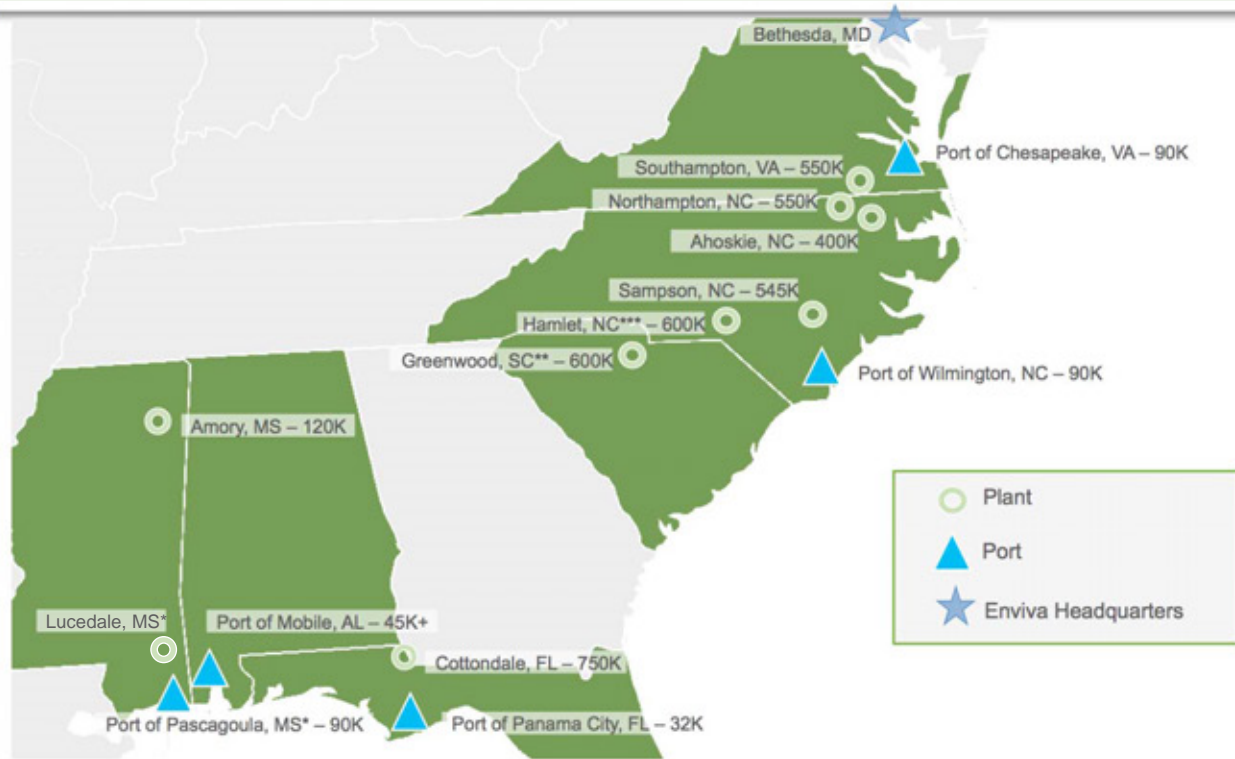
§ Global reach & scale multi-plant profile

§ 2 - 3 million MTPY sponsor development pipeline

§ Large & growing high quality asset portfolio



ENVIVA'S ASSETS



Storage and Terminating Assets



Port of Wilmington



Port of Panama City



Port of Mobile



Port of Chesapeake

Production Plants



Amory



Ahoskie



Southampton



Northampton



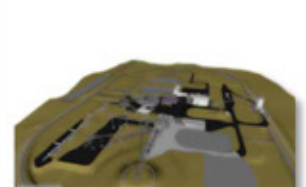
Sampson



Cottondale



Greenwood**



Hamlet***

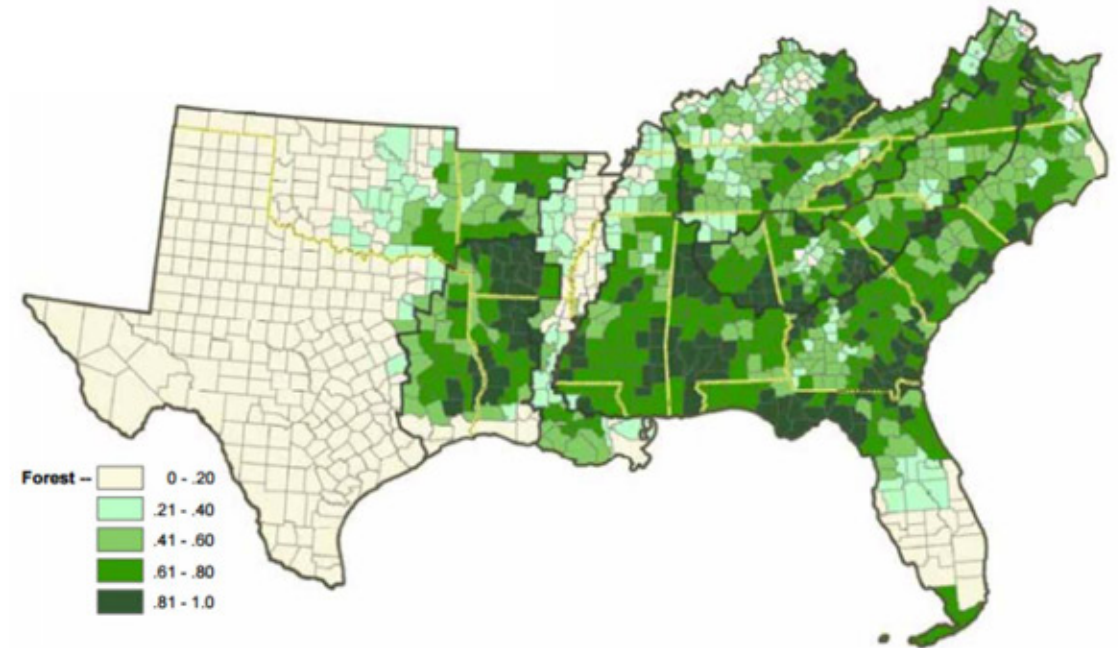


*Under development by Enviva JV Development Company, LLC
 **Acquisition by Enviva JV Development Company, LLC
 ***Enviva Wilmington Holdings, LLC; opening targeted early 2019

US SOUTHEAST FOREST LANDSCAPE

- § Forests cover about 99 million hectares in the South, roughly 45% of total land area
- § 11.4 billion metric tons of growing stock inventory
- § U.S. pulpwood consumption has dropped 28% since 1988

Proportion of Counties in Forestland Use¹



1) Wear, D. N., & Greis, J. G. (2012). The Southern Forest Futures Project: Summary Report. Research Triangle Park: United States Department of Agriculture Forest Service Southern Research Station. http://www.srs.fs.fed.us/pubs/gtr/gtr_srs168.pdf

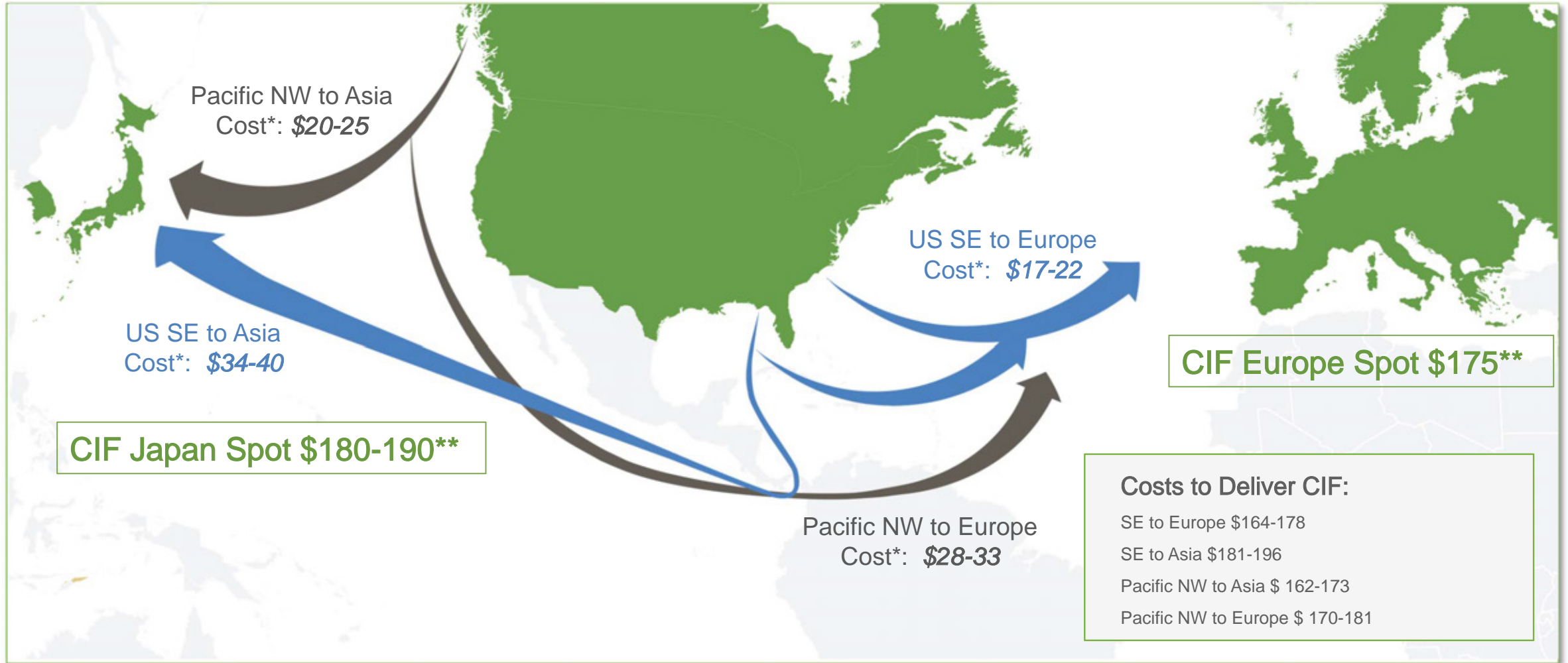




MARKET AT A GLANCE



OCEAN FREIGHT COSTS AND SPOT MARKET PRICING



* Ocean Freight (basis 45 KT shipment)
** Spot market cost per MT wood delivered

Source: Credit Argus Media



FORWARD PRICE CURVE

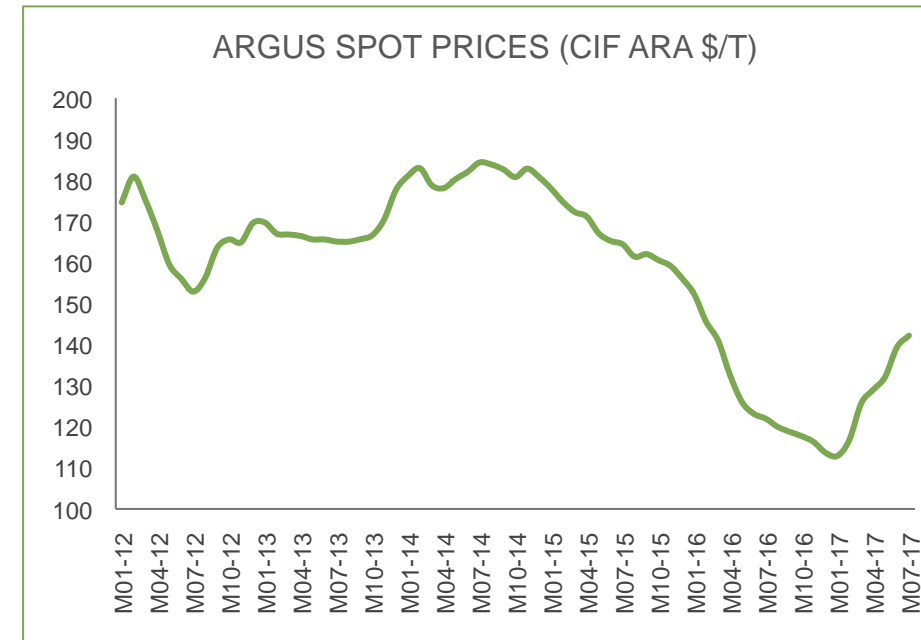
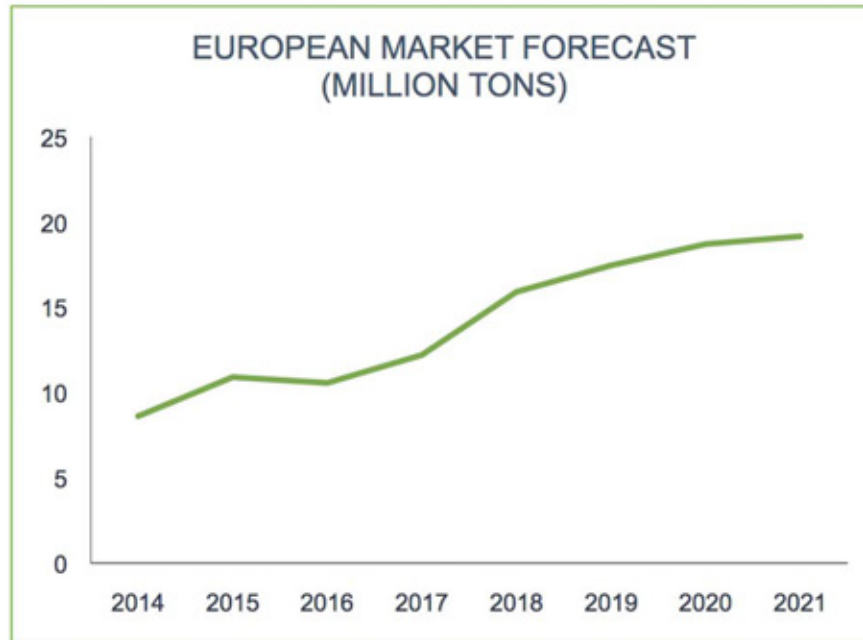


Source: Argus Media (March 2018)



EUROPEAN MARKET SHORTENING

- § Shorter-term trading opportunities driven by tightening supply-demand balance in EU wood pellet spot market
- § Enviva active counterparty in short and medium-term wood pellet market, monetizing market dislocation. Expanding capability and activities

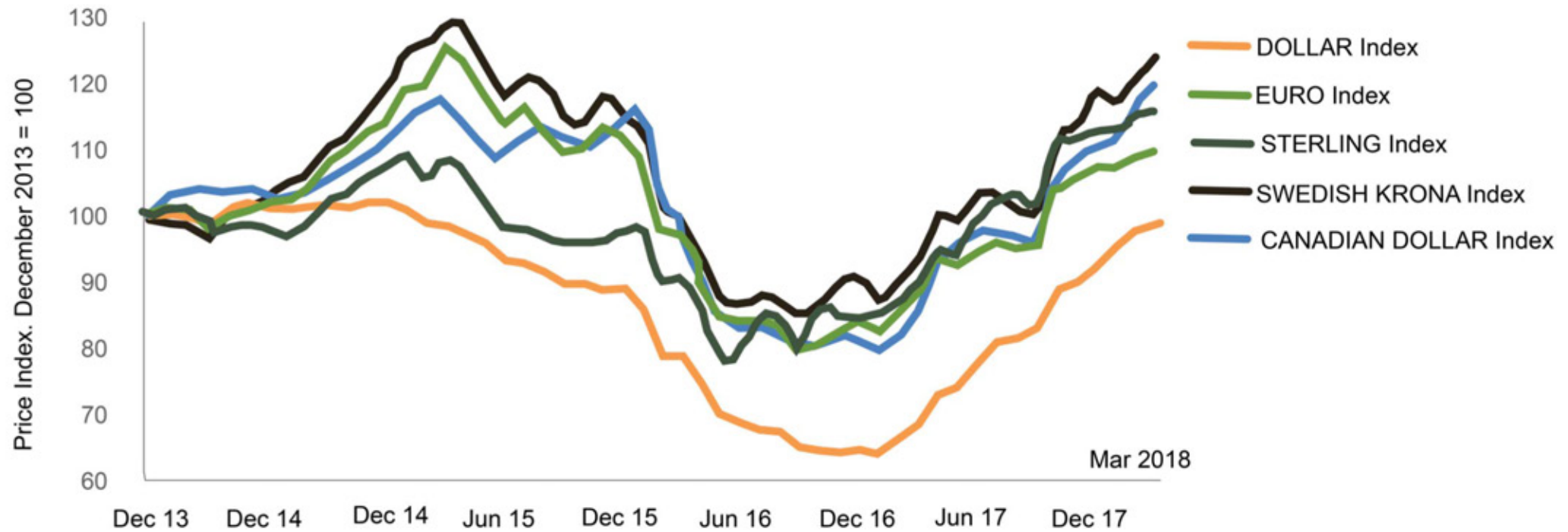


Source: Argus Media (April 2018)



CURRENCY EXCHANGE RATES

Indices of industrial wood pellet prices CIF, ARA in US dollars and other currencies



Source: Hawkins Wright



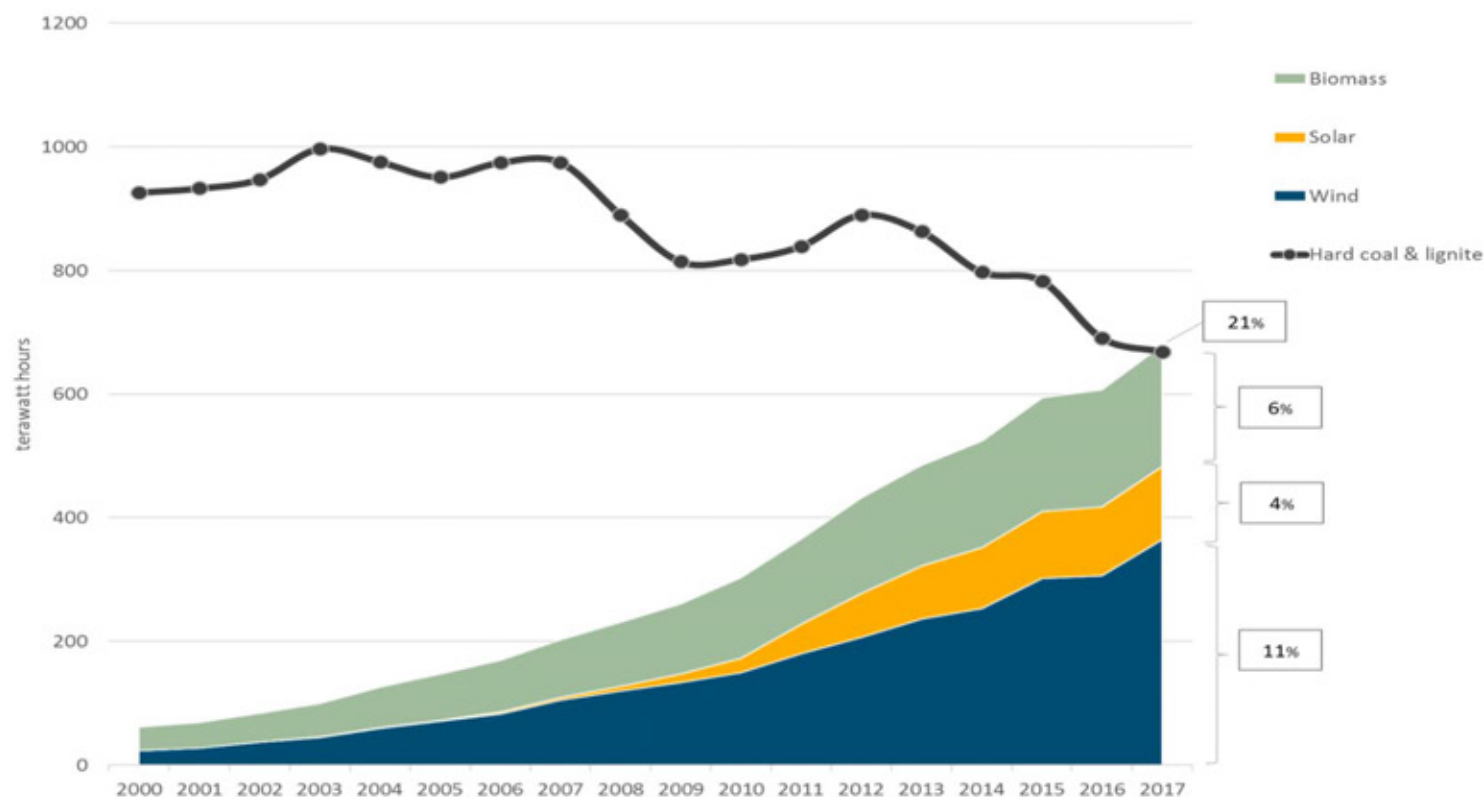


EUROPEAN MARKETS



EUROPEAN UNION ELECTRICITY GENERATION BY FUEL TYPE

In 2017, electricity from wind, solar and biomass exceeded that from coal for the first time



Source: Eurostat, Sandbag (February 2018)

Source: Hawkins Wright/Eurostat, Sandbag (February 2018)



EXPECT CONTINUED GROWTH IN EUROPE'S BIOMASS DEMAND

§ **More ambitious EU renewable energy targets**

§ The European Parliament has voted for a 35% renewable energy share by 2030, up from 20% in 2020

§ This is much higher than the 27% target proposed by the Commission

§ A compromise will be agreed, which although not binding on individual members, will be a strong driver of government policy decisions

§ **More demanding greenhouse gas emission targets**

§ A 40% reduction in GHG emissions (relative to 1990) by 2030

§ **These goals unlikely to be met without a big contribution from biomass**

§ There will still be a role for biomass electricity, but growth in electricity-only biomass power plants will slow

§ The emphasis will switch to more efficient CHP and district heating

§ **New standards likely consistent with SBP certification**





- § **Denmark** - Ørsted received state aid approval to convert its Asnaes combined heat and power facility to biomass.
- § **U.K.** - Drax announced that it will convert a fourth unit to biomass fuel from coal this year.
- § **Netherlands** - Government has allocated 6.0 billion euros in available funding for the spring 2018 round of the renewable incentive program.
- § Vattenfall subsidiary considering 120MW biomass-fired heating plant in Amsterdam.
- § **Belgium** – ENGIE granted a five-year extension to run its 180 megawatt (“MW”) Max Green power plant in Ghent, Belgium on biomass.
- § **Germany** - Government announced it will pursue a policy to reduce coal-fired generation to reach the country’s now legally binding 2030 carbon emissions target.

European industrial wood pellet demand expected to grow to 19 million tons by 2021, a 14% annual growth rate¹



KEY GROWTH MARKETS FOR ELECTRICITY GENERATION

Germany

- § A growing number of utilities are considering coal-to-biomass Combined Heat and Power (CHP) conversion projects.
- § Opportunity is subject to regulatory reforms tied to a new national coal phase-out policy

Ireland

- § Electricity market reforms are likely to include a role for transitioning peat and coal generation towards biomass

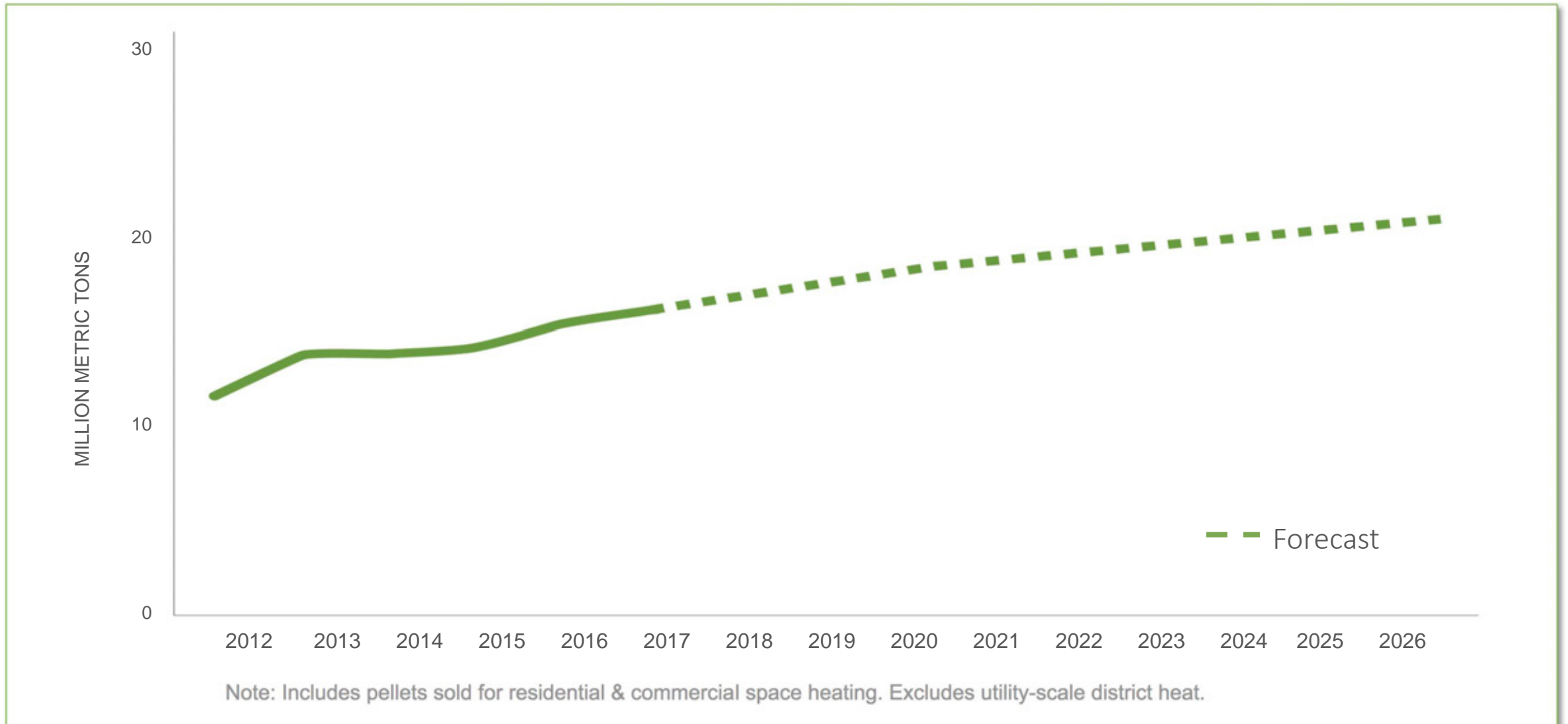
Emerging coal-fired power station conversion projects

- § France
- § Italy
- § Slovakia



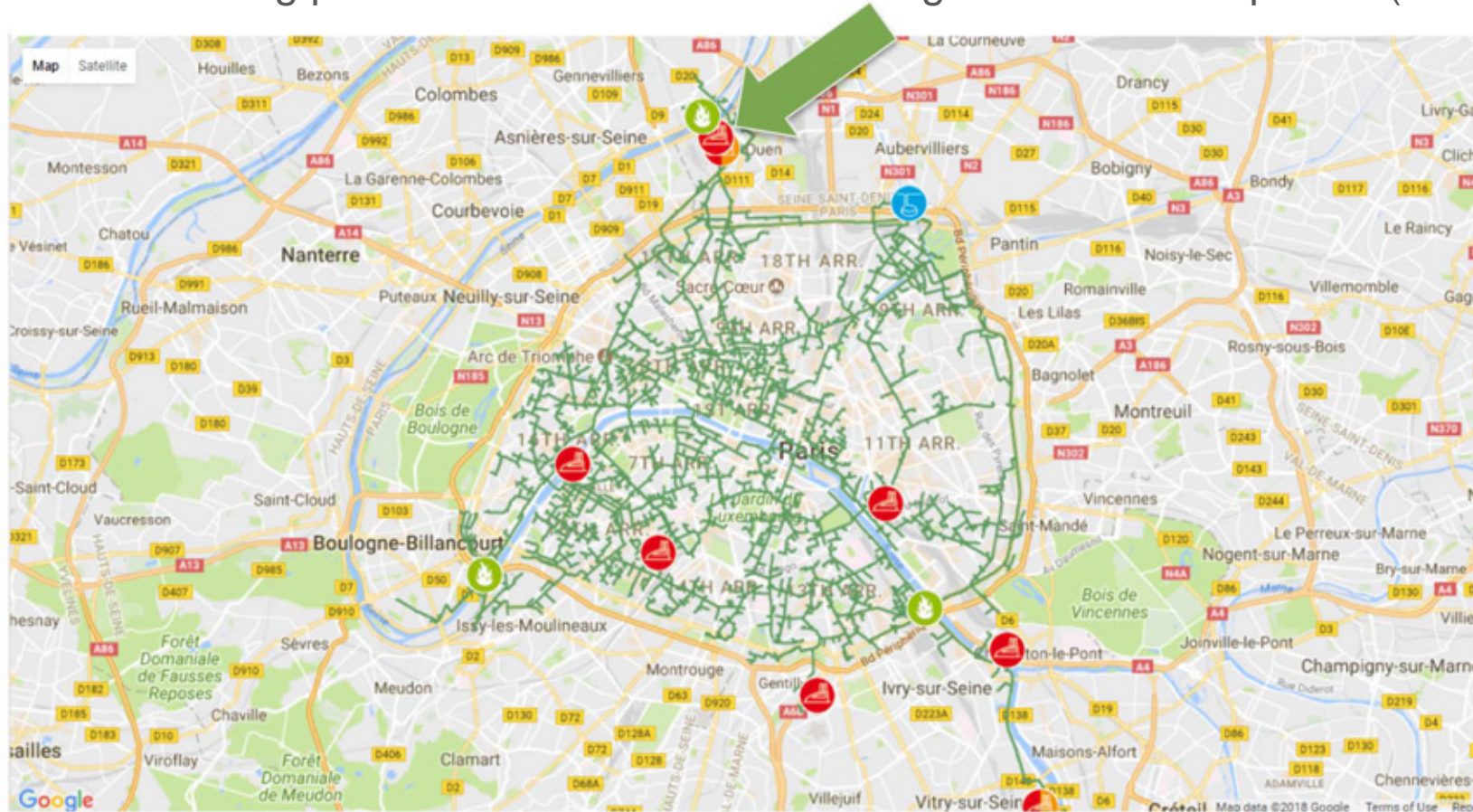
Picture: German Stadtwerke

FORECAST GLOBAL DEMAND FOR HEATING-GRADE WOOD PELLETS



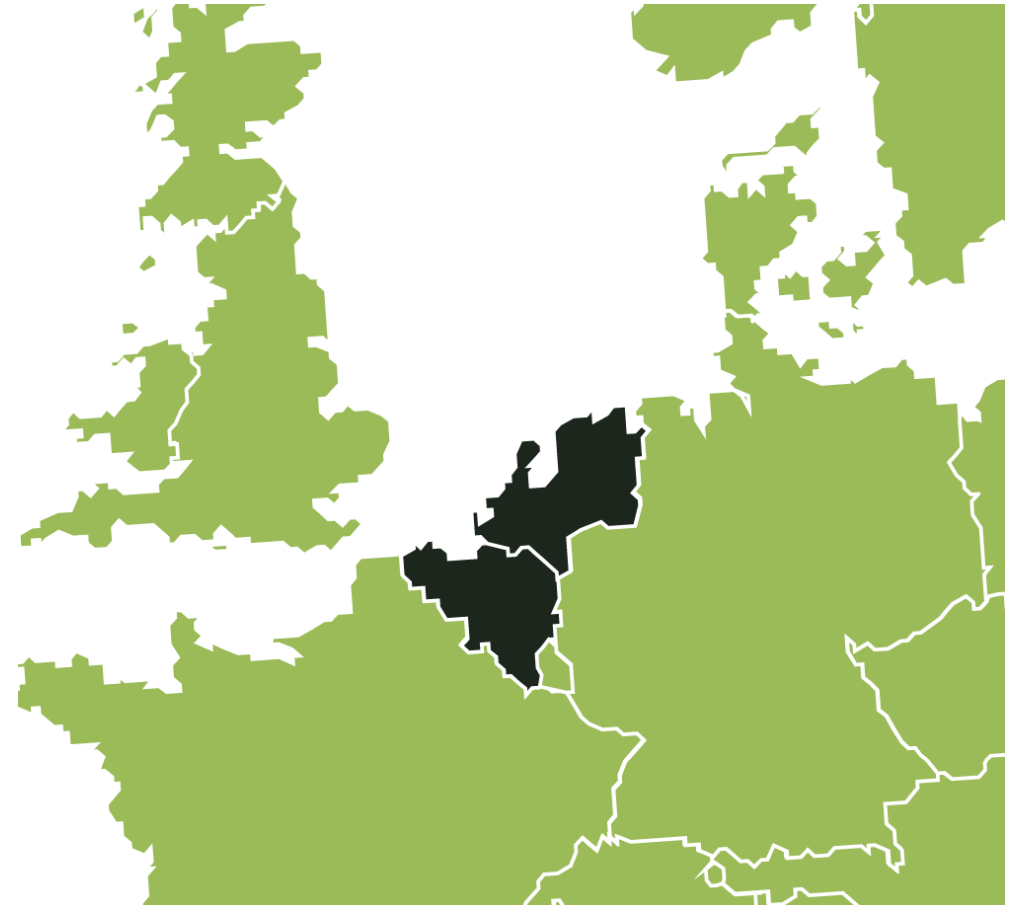
THE PARIS DISTRICT HEATING NETWORK OPERATED BY CPCU (ENGIE)

An average of 5.5TWh/y of heat supplied to 500,000 homes.
The St Ouen heating plant in northern Paris is co-firing coal and wood pellets (~200kt/y)



IMPORTANCE OF LOGISTICS

- § The mobilisation of biomass resources will create challenges.
- § The key to realising growth in Europe will be a strong logistics and storage position.



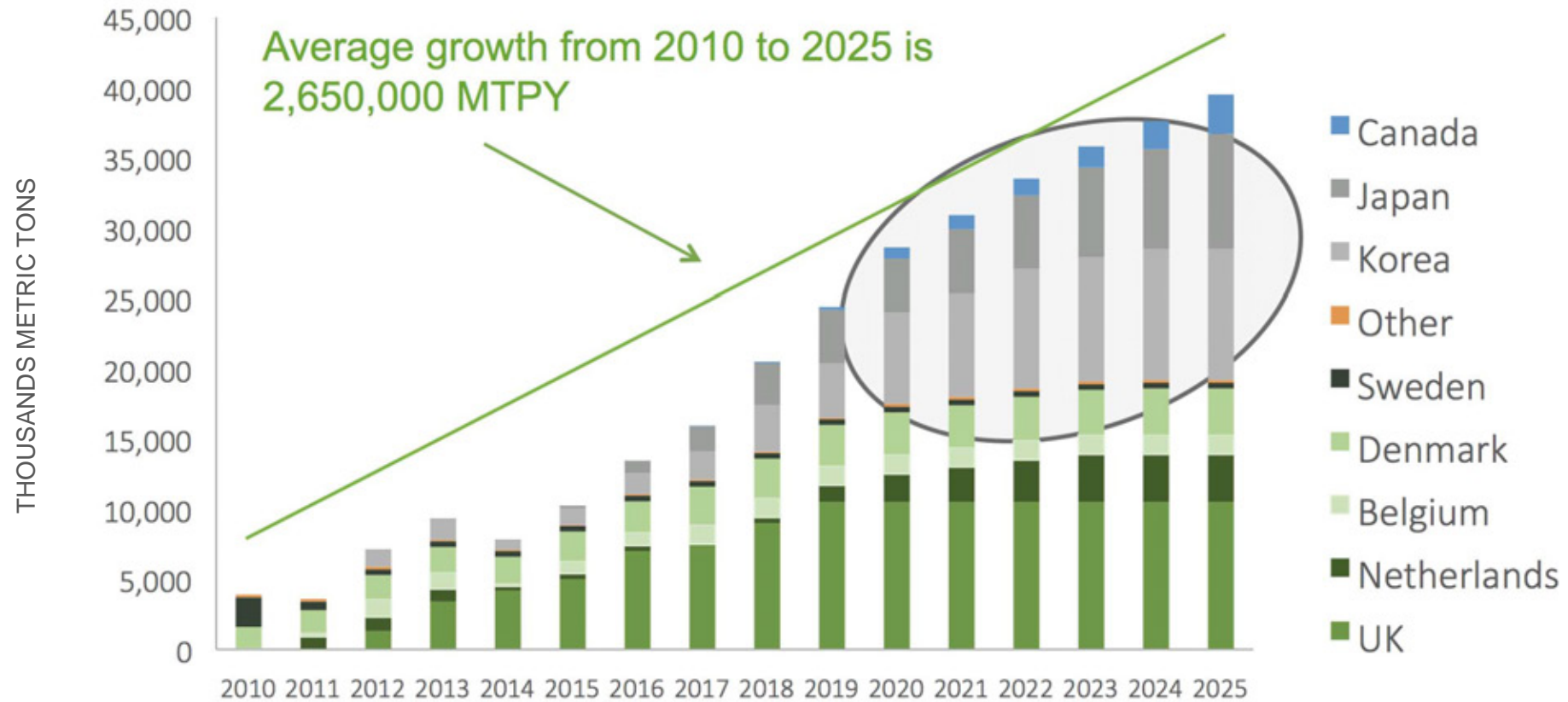


ASIAN MARKETS



JAPAN AND SOUTH KOREA ARE THE KEY DRIVERS OF SIGNIFICANT DEMAND GROWTH AFTER 2019

Industrial wood pellet demand forecast for Europe, the UK, Korea, Japan and Canada

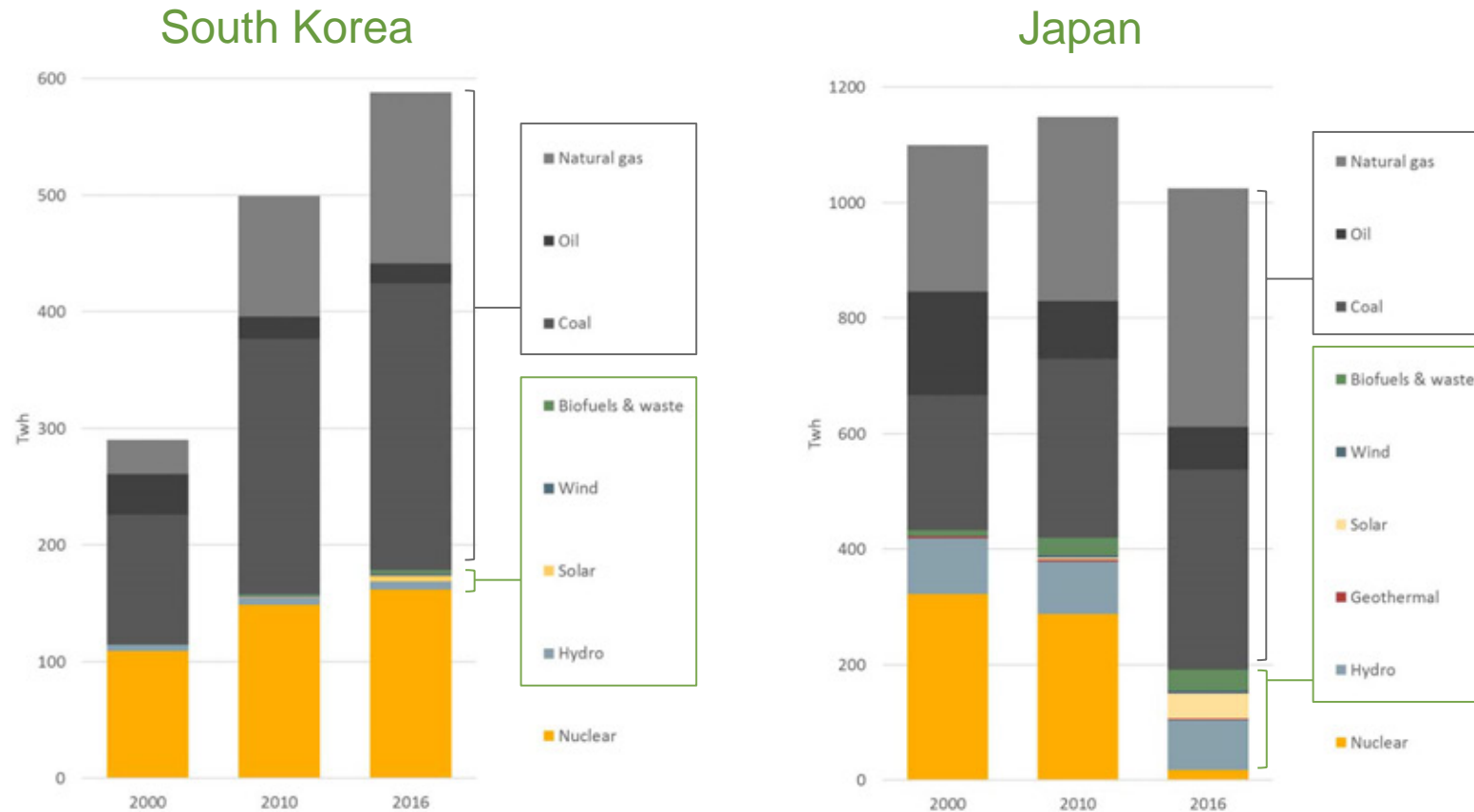


Source: Historical data from Argus Direct, 2017 and beyond forecast and analysis by FutureMetrics



ELECTRICITY GENERATION MIX IN SOUTH KOREA AND JAPAN

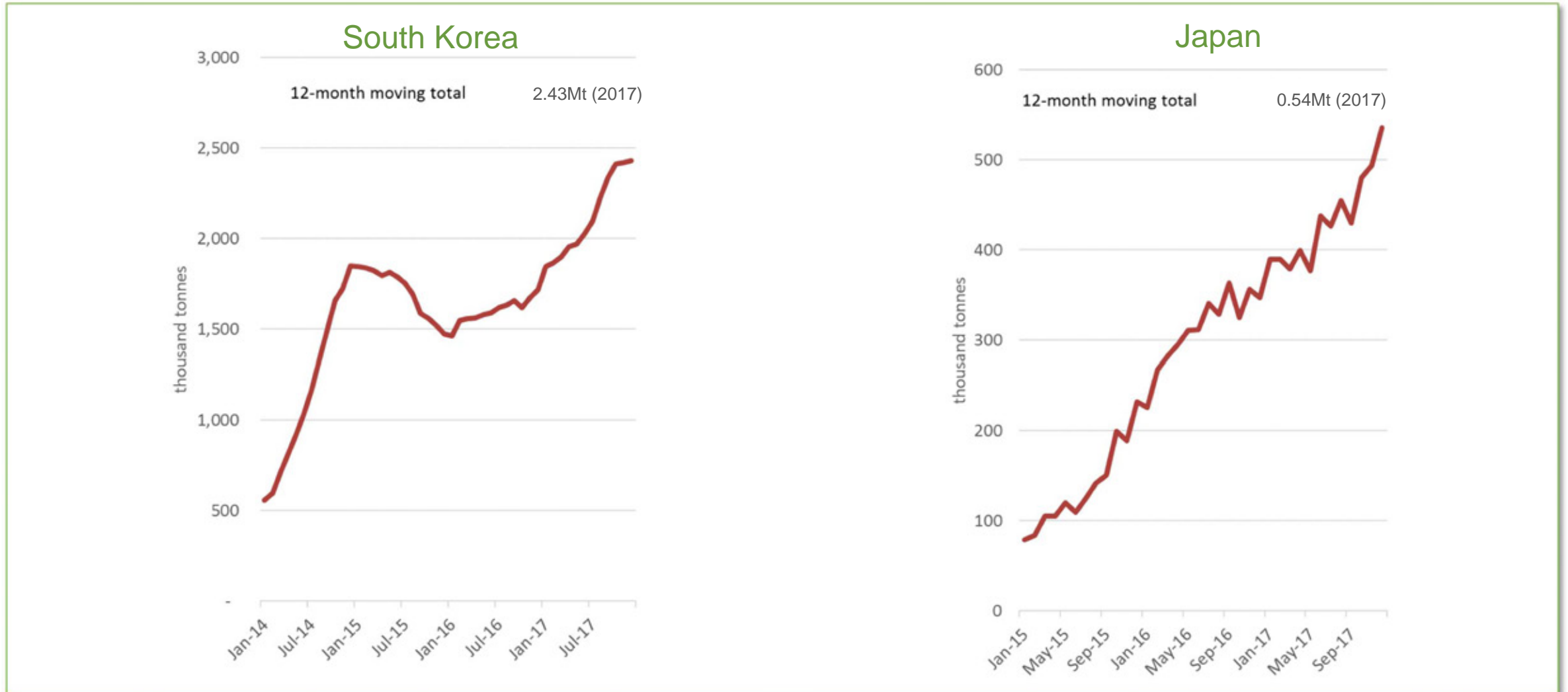
Both countries need to reduce their reliance on fossil fuels if they are to meet the GHG emission targets agreed in Paris



Source: IEA



RAPID INCREASES IN NORTHEAST ASIAN IMPORTS OF WOOD PELLETS



JAPANESE POLICIES WILL DRIVE SIGNIFICANT GROWTH IN DEMAND FOR INDUSTRIAL WOOD PELLETS

2012 Feed-in Tariff (FIT)

- § Provides financial support to power generators to compensate for higher pellet fuel generation cost
- § Electric power transmission and distribution companies obliged to purchase electricity generated from renewable energy sources on fixed-period contract at fixed price
- § Renewable power cost paid by electricity user surcharge on power bills

Carbon Emissions Targets

- § Power companies required to reduce CO₂ per kWh by 35% from 2013 levels by 2030

Best Energy Mix

- § Renewable energy 23% of energy mix (~245M MWh) with biomass 4.3% of renewable allocation

Minimum Generation Efficiency Requirement

- § 41% efficiency (energy output versus input) by 2030
- § Power plants with efficiencies below 41% can co-fire wood pellets to achieve efficiency requirement



JAPANESE POLICIES WILL DRIVE SIGNIFICANT GROWTH IN DEMAND FOR INDUSTRIAL WOOD PELLETS

- § ~3.2 gigawatts (“GWs”) of biomass-fired capacity approved through FIT program, ~500MWs are commissioned
- § Japanese government target of 6.0 to 7.5GWs of biomass-fired capacity by 2030 = demand for 15 to 20 million MTPY of biomass
- § >15GWs of biomass-fired generation submitted FIT applications suggesting substantially larger demand than originally forecast by Japanese Ministry of Economy, Trade and Industry (METI)
 - § Renewable Portfolio Standard (RPS) program requires 13 largest power companies (with installed power capacity larger than 500 MW) to steadily increase renewable energy mix in total power generation between 2012 and 2024



WHY THE JAPANESE MARKET IS IMPORTANT: OPPORTUNITIES

- § Market / regional diversification
- § Enormous demand over the long term – 15 million-ton expected market
- § 15-20 year fixed price contracts
- § Can lock in shipping rates for 15-20 years
- § Stable regulator / incentive framework
- § Low cost of capital
- § Public opinion about coal – can lead to higher demand



JAPANESE MARKET CHALLENGES

- § Higher shipping costs
- § Competition from lower-cost suppliers in SE Asia drives down cost
- § Little track record
- § Need more robust port infrastructure for receiving
- § Tightness of boiler and EPC availability
- § Cultural differences
- § Public opinion about coal can lead to opposition to co-firing



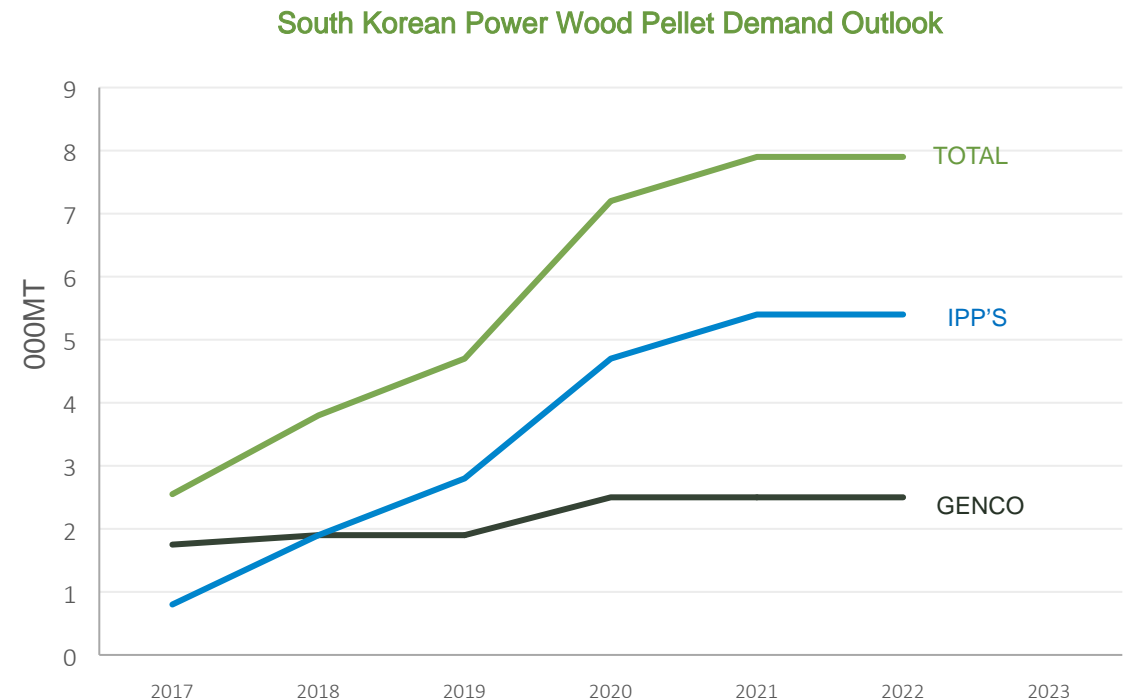
KEYS TO SUCCESS IN JAPAN

- § Ability of both parties to trust in contractual relationships; strong relationships with trading houses and end users
- § Rule of law and sustainability practices
- § Competition based on reliability, quantity, quality and sustainability (scalable production capacity)
- § Additional port infrastructure for receiving
- § Excellent counterparty reputations - an important driver for credit



EXPONENTIAL GROWTH EXPECTED IN SOUTH KOREA

- § South Korean market historically characterized 3% co-firing at major coal fired generators and state-owned utilities (GENCOS); procurement undertaken on short-term tenders
- § Increased Renewable Portfolio Standard (RPS) and regulatory drive to de-carbonize has enabled new independent power producer (IPP) demand
- § Several recently announced biomass-fueled projects expected to be operational by 2020, increasing expected demand for wood pellets
- § Due to excessive demand, shift from short-term tender to long-term contracting expected



Source: John Jeon, "Demand Outlook on Biomass Fuel of South Korea," GS Global, June 15, 2017



Opportunities

- § Rapidly growing in short-term – 3 million metric ton market expected to grow to 8 million metric tons
- § Spot market opportunities

Challenges

- § Shipping costs
- § Subsidy certainty only on a rolling three-year basis
- § Need flexible production capacity





MEETING VARIED CUSTOMER REQUIREMENTS



SUSTAINABILITY REQUIREMENTS BY MARKET / COUNTRY

	European Union	United Kingdom	Denmark	Belgium	Netherlands	Japan
Sustainability Criteria	Risk-based approach	Risk-based approach	Industry-NGO agreed upon thresholds	Risk based approach	Risk-based approach	Under development
Scope	Only forest harvesting residues	Forest harvest and processing residues	Only forest harvesting residues	Only forest harvesting residues	Only forest harvesting residues	Under development
Form of Certification*	Chain of custody	SBP Controlled	SBP Controlled	Chain of custody	FM cert or SBP (under development)	Chain of custody
Binding Regulation?	Non-binding today; binding post 2020	Binding	Industry-NGO agreement	Non-binding today; binding post 2020	Binding starting in 2018	Anticipate will be binding when final

*SBP Controlled biomass is produced in compliance with all relevant SBP Standards following the requirements of an SBP-approved Chain of Custody system. SBP Compliant biomass is produced following the requirements of an SBP-approved Chain of Custody system or within an SBP-approved Forest Management Scheme, and is consistent with all SBP principles, criteria and indicators.



GHG REQUIREMENTS BY MARKET / COUNTRY

	European Union	United Kingdom	Denmark	Belgium	Netherlands	Japan
Today	Non-binding guidelines	Active requirement that will ramp up in 2020 and 2025	Active industry-NGO agreement to meet RED guidelines	Credit system based on carbon and energy performance of biomass	Binding requirements starting in 2018	Under development
Proposed under RED II	Proposed regulatory requirement for post-2020 start-up projects					N/A



DIFFERENCE BETWEEN EUROPEAN AND JAPANESE REQUIREMENTS



EU

European Power Generators

- § Multiple units, capacity redundancy
- § Furnace operators have more relaxed fuel specifications



Japan

Japanese New Builds One unit, revenue solely from FIT power generation

- § Higher capacity factor needed to make project economic
- § Furnace operators require tighter fuel specifications





LOOKING FORWARD

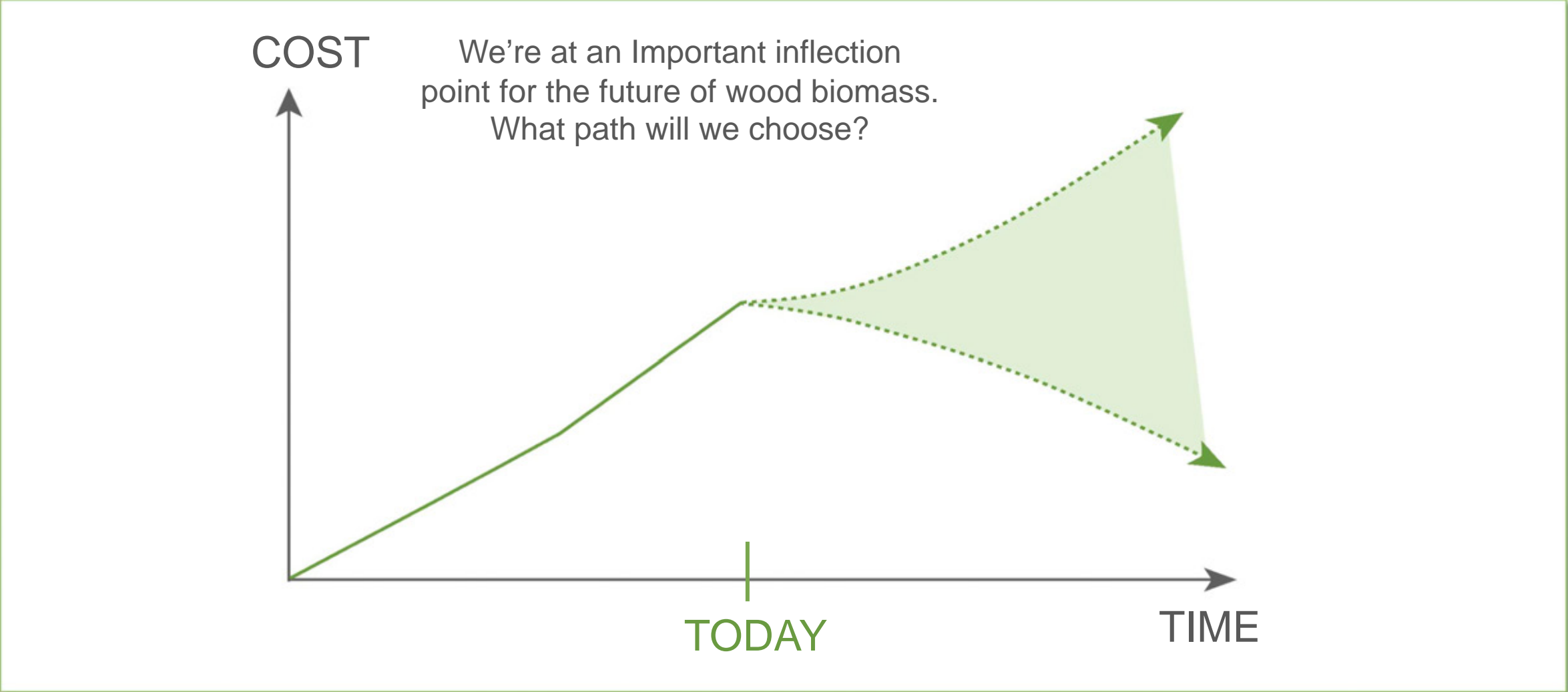


CUSTOMER DEMANDS VARY GREATLY



- § Durability standards have shifted higher
- § PSD requirements are widely divergent
 - § Zero to >95%
 - § > 2mm
- § Diameter varies from 6 mm to 8 mm
- § Color
- § Fines
- § Maximum temperature
- § Energy content – industrial vs domestic

COST OF QUALITY PER TON

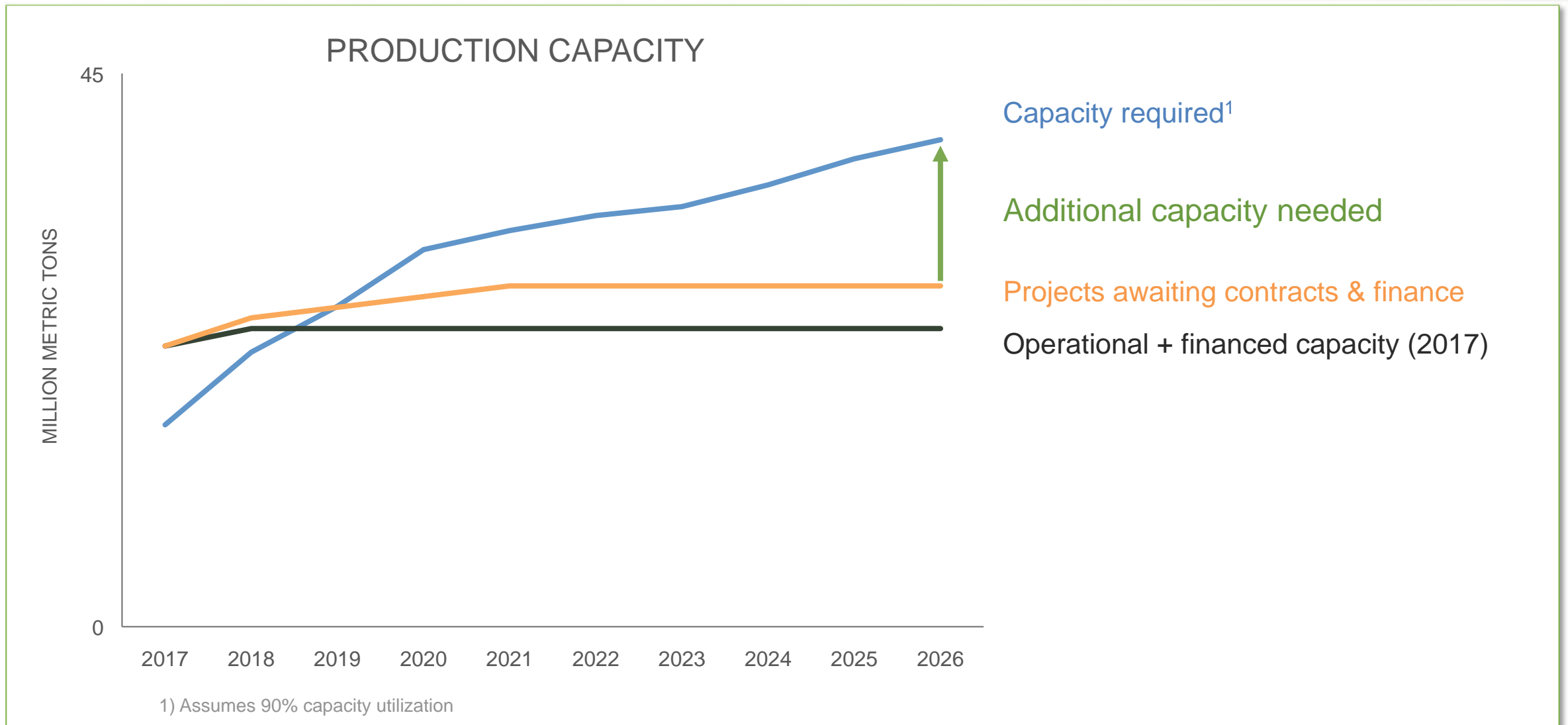


Possible scenarios:

- § Governments facing ever-tightening RE and GHG targets may extend support
- § May see reduced subsidy or payment for grid balancing or systems services
- § Generators may be able to absorb loss of subsidy since they have written down investments in plants and supply chain
- § May see capacity markets
- § Pellet industry may shift resources to meet growing demand in heating and other areas

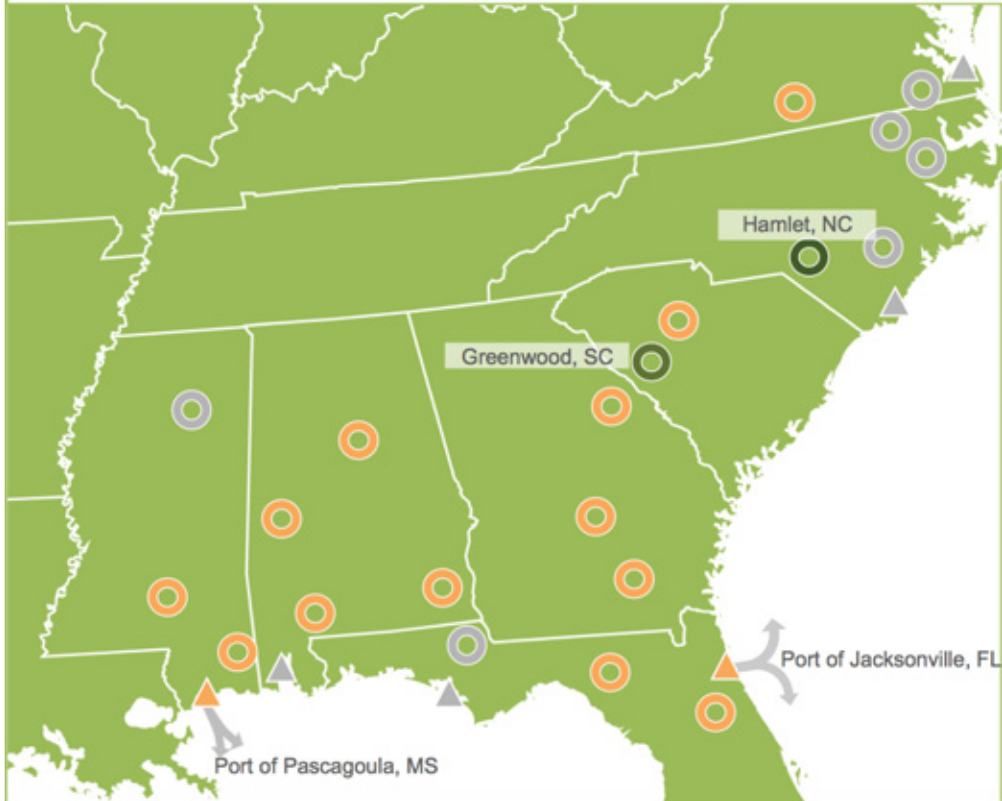


NEW PRODUCTION CAPACITY WILL BE REQUIRED TO MEET EXPECTED DEMAND



U.S. CAN SCALE UP PRODUCTION TO MEET GROWING DEMAND

Sponsor's Development Pipeline



Plants in the Partnership	○	Ports in or leased by the Partnership	▲
Plants under construction / expansion	●	Port sites under control / assessment ¹	▲
Plant sites under control / assessment ¹	○		

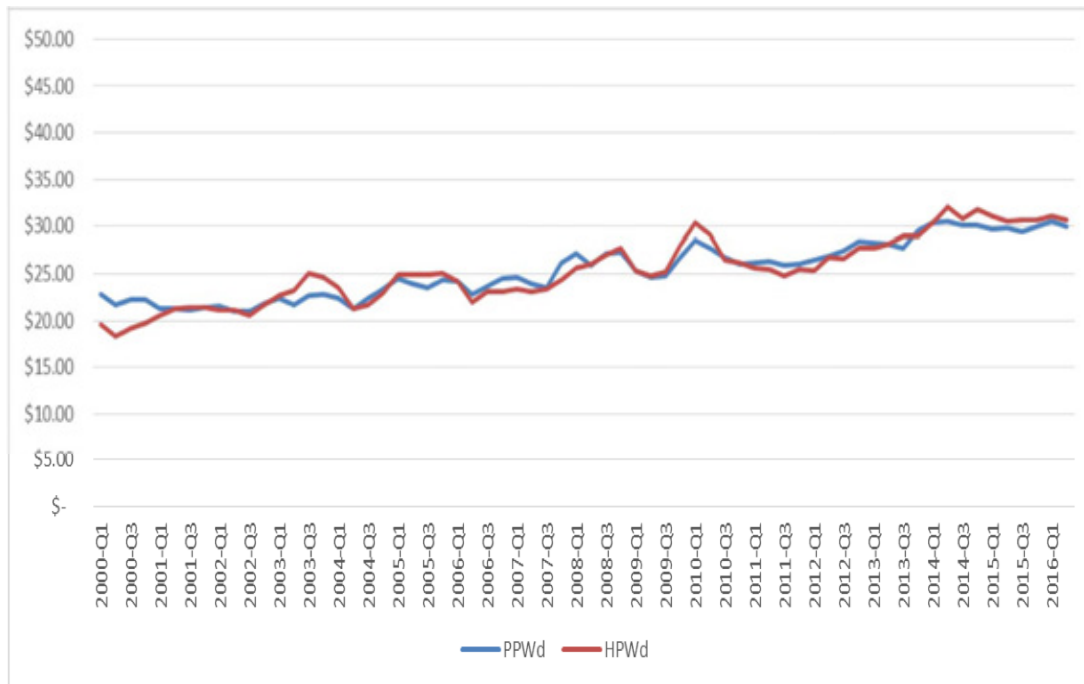
- § Strong rule of law and sustainability framework
- § Wood costs are stable
- § Decline of pulp and paper demand
- § Limited wood chip exports
- § Port infrastructure



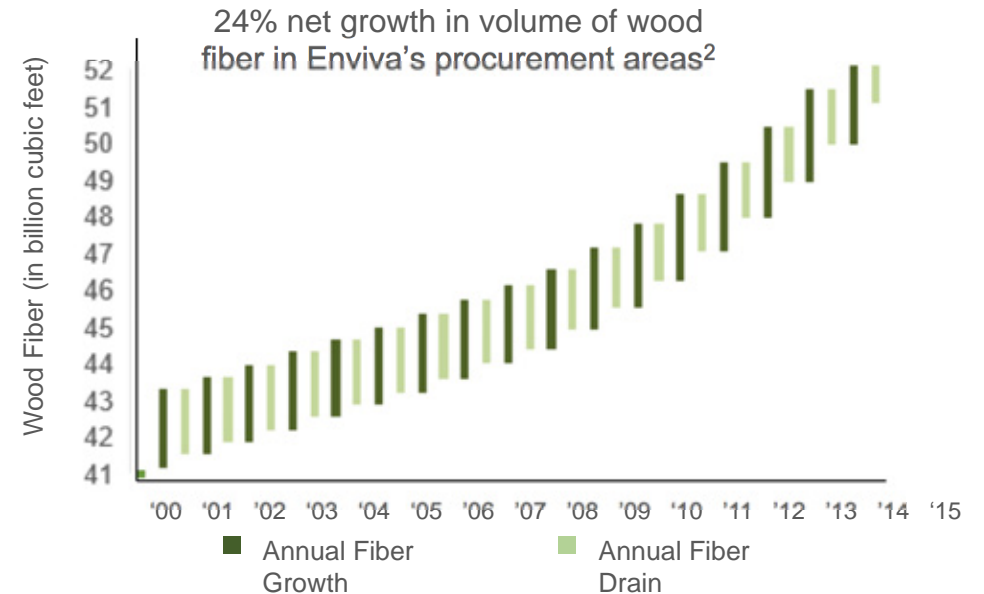
1) Assets under control / assessment are shown at approximate locations

SOUTHEAST FIBER BASKET SUPPORTS GROWTH

All South Timber-mart South¹



Advantaged resource availability



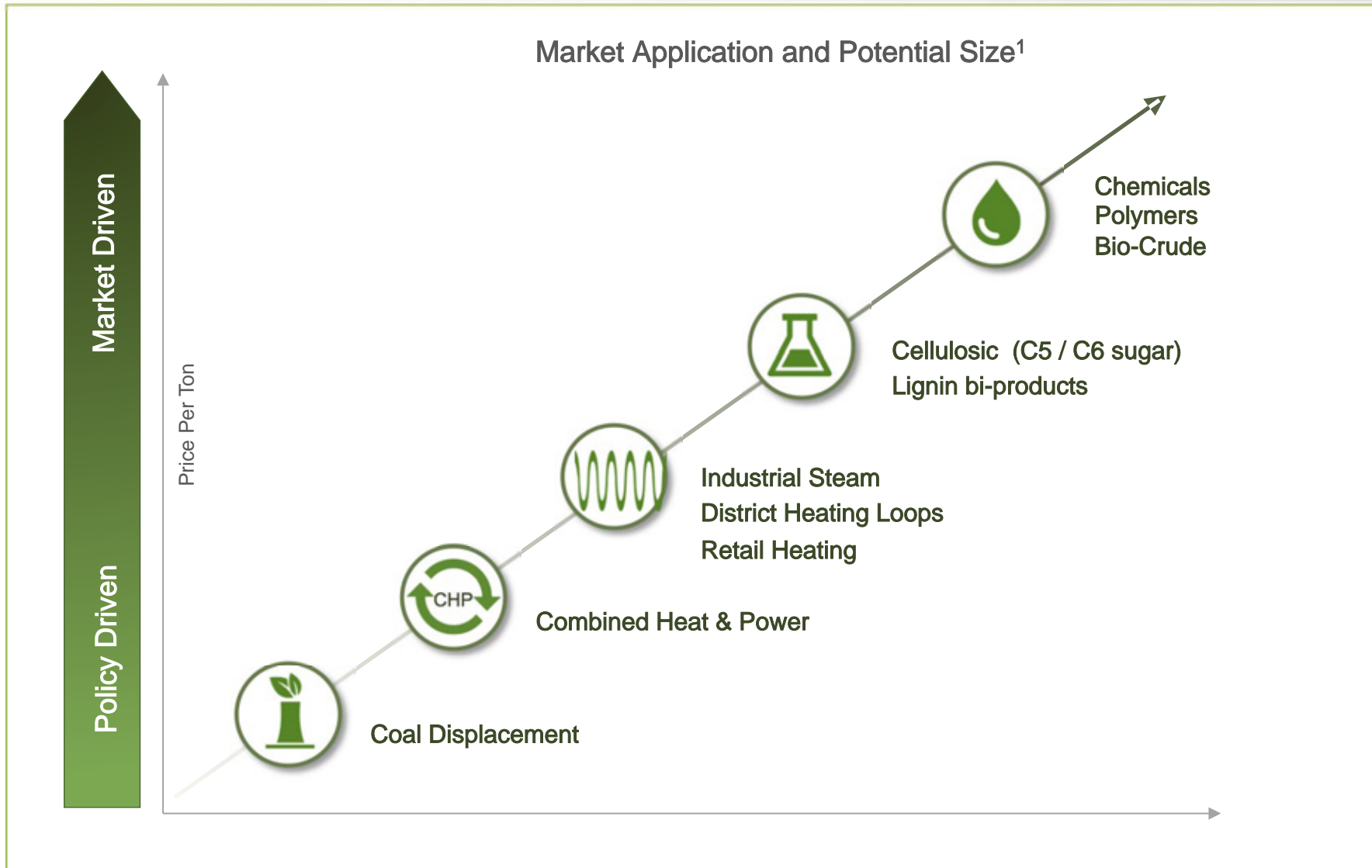
Wood fiber analog to conventional oil and gas would be adding the proved reserves of nearly two additional Permian Basins in the U.S.²

1) Timber-Mart South – 2000 to Q2 2016 (VA, NC, SC, GA, FL, AL, MS, LA, TX)

2) U.S. Crude Oil and Natural Gas Proved Reserve, Year-end 2016, U.S. Energy Information Administration. As of 12/31/2016, proved oil and natural gas reserves of the U.S. were approximately 94.0 billion barrels of oil equivalent with approximately 12.4 billion barrels of oil equivalents in the Permian Basin



CREDIBLE OPPORTUNITIES FOR DECADES



Long-term contracted demand for wood pellet displacement of coal has enabled substantial infrastructure investment in processing and logistics assets

Resulting global distribution capability for low cost fiber can fulfill emerging demand from other applications for wood pellets



1) Graph illustrative only.

Thank You

