

WMP Market Insights

Vietnam's Rapid Growth to Become Asia's Biggest Wood Pellet Supplier Attracts Scrutiny of Its Wood Sourcing and Manufacturing Practices

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Vietnam responded to soaring Asian demand for wood pellets by positioning itself as the world's second biggest pellet supplier in little more than a decade. But the Vietnamese pellet industry has faced scrutiny of its wood sourcing practices, and lately the environmental impact of its manufacturing facilities.

In the past decade or so, Vietnam has risen to become the world's second-largest wood pellet exporter after the United States, and the top supplier of wood pellets in Asia. Its rapid rise has tracked the overall growth of pellet imports, particularly by Japan and South Korea as they pursued renewable energy strategies to help phase out coal and meet emissions targets. Vietnam's export volumes to Japan and South Korea combined in 2025 grew to 7.1 million MT, which represented 93% of Vietnam's total wood pellet export volume.

However, both Japan and Korea have pulled back support for biomass amid scrutiny over links to deforestation. Japan excluded new large-scale biomass projects from its Feed-in Tariff and Feed-in Premium schemes from April 2025. Also in early 2025, South Korea ended subsidies for new biomass power projects, and wood pellet demand sharply contracted that year compared with 2024.

Increasing reliance on one market creates structural vulnerability for Vietnam. In the first

five months of 2026, Japan accounted for 80% of Vietnam's wood pellet exports, and South Korea accounted for about 13%, according to WMP data. In the corresponding period of 2024, Japan accounted for 54% of Vietnam's export volume and South Korea for 39%.

Rapid growth is often accompanied by growing pains. Early controversies surrounded raw material availability and potential pressure on Vietnam's plantation forests from its burgeoning pellet industry. In addition, there have been concerns about supply-chain transparency, which is needed by many importing countries to adhere to sustainability and legality standards.

Then there were questions about quality. An article on the website of the Vietnam Ministry of Agriculture and Environment's official press agency in 2025 noted that Vietnamese pellets were still regarded as inferior to pellets from Indonesia, Thailand, and Malaysia. At a November 2024 business-to-business meeting in Ho Chi Minh City, Vietnam, the Japan

Biomass Power Association (BPA) warned of impurities in Vietnamese pellets that had the potential to damage equipment and pose fire hazards.

Lately, a new negative spotlight has turned on Vietnam's wood pellet industry for allegedly exposing communities near pellet plants to air pollution. Earth Journalism in a June 15 feature-length article described pellet manufacturing in Vietnam as "a regulatory blind spot." It says its reporter observed trucks hauling wood in and out of Central Vietnam pellet factories day and night. Factories were often close to residential areas, and many locals complained of physical symptoms they linked to emissions and noise from the pellet plants.

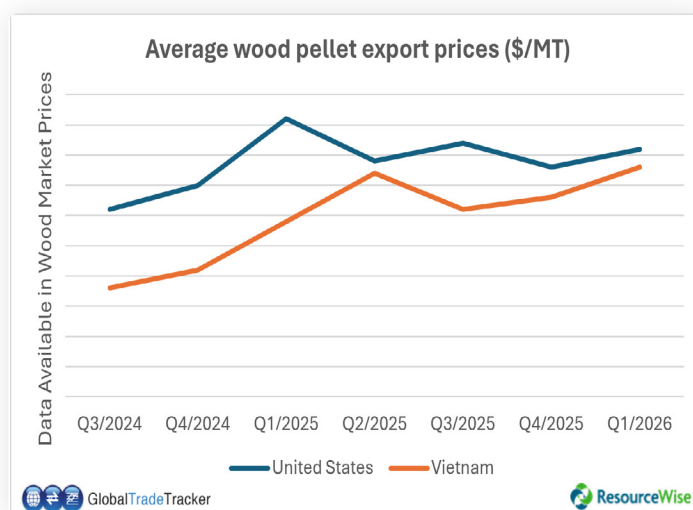
None of this will surprise anyone familiar with the rise of pellet production in North America, where manufacturers have often met with strong community opposition to new pellet plants, even while striving to meet strict compliance criteria over emissions and noise. Enviva, a leading global producer of wood pellets, devoted considerable effort to addressing concerns raised by communities and local and state governments regarding some of its wood pellet production plants in the US Southeast. Drax plc.'s wood fiber sourcing practices in Canada, where it owns nine pellet production facilities, have come under heavy scrutiny.

Low export prices for Vietnam pellets and higher production costs are making it more difficult to compete. Although Vietnamese prices have risen closer to US pellets prices in the past year, Vietnam serves a tough market. While Japanese utilities often sign long-term

contracts, South Korean buyers force suppliers to compete on price by purchasing pellets via contracts lasting six months to a year, according to Earth Journalism. It quotes William Strauss, president of US-based independent wood pellet consultancy FutureMetrics, saying:

"When buyers keep pushing prices down, producers have less capacity to invest in a well-designed and properly managed facility."

Competition from pellet suppliers in countries with more abundant timber resources will do little to help Vietnam raise its pellet export prices, or invest more in reducing the environmental footprint of its factories. Indonesia's wood pellet production grew by 223% between 2020 and 2024, according to government figures. According to WMP data, in the first five months of 2026, Indonesia supplied 523,000 MT of pellets to Japan and South Korea combined, an increase of 95% compared with the same period of 2024.



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