GreenPremium Prices for Bio-based Products

Nova-Institute Has Evaluated the Factors that Affect Prices along the Value Chain

Several years of market analysis and manifold contacts to bio-based producers have shown that bio-based products achieve GreenPremium prices in many applications. In addition, the vigorous activities by big players to establish the “biomass balance approach” on the market clearly show that there is a relevant number of customers who are willing to pay a GreenPremium price for a bio-based material and product.

In the framework of the European project “Bioforever” (bio-based products from forestry via economically viable European routes), Nova-Institute has conducted a second survey that explores the phenomenon of GreenPremium prices in further detail. Are there differences along the value chain and between distinct applications and sectors? Does the feedstock question, first or second generation biomass, play a relevant role? What do market participants expect in terms of how long GreenPremium prices for their products are going to last?

The 50 participants of the survey can be identified as true insiders who either produce or trade bio-based products (or intermediates) themselves or consult related companies and have in-depth market knowledge. Almost 70% of these experts reported GreenPremium prices for bio-based products. Most of the participants (42%) consider the GreenPremium to range between 10-20%, 22% indicate a price premium of 20-40%. About 4% of the respondents see a willingness to pay even more than 50%. 32% of the participants report no GreenPremium prices.

A comparison of results of the different surveys from 2013, 2016 and 2017 shows that overall, the response patterns have changed only little. In all surveys, the range of “10-20%” GreenPremium is the most frequent answer and “more than 50%” is the least reported response. The most visible trend is an increase in the frequency of the “20-40%” range, while the “10-20%” and “more than 50%” are mentioned slightly less often over the years. At the same time the naming of “no GreenPremium” has increased (from 16% in 2016 to 32% in 2017).
It is important to know to what extent new technologies – that may require large investments – can rely on GreenPremium prices for their products on a long-term basis.

The results of the survey show that almost 60% of the respondents expect no time limit for GreenPremium at all. 30% see a limitation to the next five years, 8% to the next ten years.

The result for the most important driver for GreenPremium is not very surprising: a positive green image has been identified as the most important reason for GreenPremium prices being paid (41%). But there were also other relevant drivers found in the survey: touch of innovation (23%), enhanced attention at media can be achieved using bio-based materials instead of standard materials (18%) and expectations for higher prices (18%).

Additionally, single value-adding factors were named by the participants. The highest ranked factor for the GreenPremium price is the “Higher bio-based share of the product” (64%) and is especially valued in construction (71%). “Lower greenhouse gas emissions” (46%) and “Biodegradability” (46%) are the next important single value-adding factors for GreenPremium prices. “Biodegradability” is less important (22%) in consumer goods, but important for packaging (45%). The importance of “Sustainability certification of the biomass feedstock” (24%) is ranked differently throughout the application groups, for packaging the importance (36%) is higher than for consumer goods (11%). “2nd generation biomass” and the “GMO-free biomass” are the lowest ranked factors. GMO-free biomass is named only by 20% of the participants as important value-adding factor. An exception seems to be packaging, where GMO-free biomass (41%) reaches the same level of importance as “Biodegradability” and “Lower greenhouse gas emissions”.

“2nd generation biomass” as a motivating factor displays less variation between the application groups and has only low relevance (20%) as a single driver of GreenPremium prices. In further research within the framework of the project Bioforever, a detailed evaluation is planned in order to understand why a feedstock base of “2nd generation biomass” does not seem to play a large role in triggering GreenPremium. For example, a possible reason could be that the discussion about 1st and 2nd generation biomass feedstock was rather a discussion in the political arena than in the market or at the end customer level. Another explanation could be lack of awareness and understanding among end consumers.
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