

# **Biomass Commodity Exchange (BCEX)**

## Opportunities and Challenges

Woody Biomass From Forests and Fields  
—April 9, 2009  
Cable, Wisconsin





## Genesis of BCEX

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- Woody Biomass Task Force
- CleanTech Partners Proposal
- WE Energies
- USDA, Focus on Energy, WPS, New Page, Biorefinery Development Collaborative

# State of Biomass Market Structure

Significant Structural Change—Pulp and Paper

Significant Relative Price Change—Wood  
Fuel

Significant Social Demand Change—RPS,  
RIN

Significant Technological Change

# State of Intra Market Coordination



Product Specifications

Counter Party  
Identification/Qualification

Contractual Practices

Dispute Resolution

Prices—Market, Spot, Forward

# Opportunity Assessment

Market where the traditional coordination method of the largest players has ended.

Market using individually negotiated, ad hoc supply and demand coordination methods.

Market expecting a significant increase in demand and the number of players.

**THIS MARKET NEEDS AN EXCHANGE.**

## Exchanges Founded to Reduce the Cost of Trade

- Trade Facilitation
  - Reduce Search Costs
  - Reduce Negotiation Costs
  - Reduce Transaction Uncertainty
- Minimize Trade Costs and Minimize Uncertainty
- Disseminate Trade Prices

# **BCEX Structure—Closed Exchange**

Subscribers/Members

Qualification—Industry/Economic Interest

Rules of Conduct/Penalty Structure

Dispute Resolution Process

# BCEX--Transaction Precepts

Member Executed

Public View

Exchange Standards/Definitions

Trade Confirmation/Recordation

Audit Trail

Price Dissemination

-Indicative (Averaged Price)

# **BCEX--Transaction Support/"Clearing"**

- Contract Verification
- Delivery Notifications
- Inspection Services (out sourced)
- Settlement Confirmation

# BCEX--Transaction Systems

Listing Platform—Individual Contracts

One-sided Auction System—Open Bid/Offer Request

Two-sided Auction System—Standardized Contracts

# BCEX Supplier Benefits

- Reduced Trading Costs
- Increased Trade Opportunities
- Reduced Uncertainty—Contract and Price
- Greater Market Demand
- New Harvest Opportunities
- Benefit Directly or Indirectly through Aggregators

## **BCEX April 2009 Status**

- » BCEX Portal including the Listing Platform in Alpha Design

Beta Testing in Second Quarter of 2009

Financing Process started Q2 2009

Target Full Launch Summer 2010

# BCEX Input

[www.biomasscommodityexchange.com](http://www.biomasscommodityexchange.com)

[www.theBCEX.com](http://www.theBCEX.com)

Use the forum

Please provide your input!