

The lyocell market - a bright future?

In summer 2024 I co-launched the report [Defining the global lyocell market](#), in collaboration with Oliver Lansdell from Hawkins Wright: an in-depth report on a material I have been talking about in the eco-fashion world since 25 years: Lyocell. Promising double-digit growth while offering potentially enhanced environmental credentials, superior material properties, and wide-ranging applications.

The report highlights the actual market and outlook, investments in the various geographies, drivers like regulatory frameworks or price dynamics, challenges like the capabilities of spinners and dyehouses, and summarizes the outcome of an exclusive survey that addressed value chain partners as well as brands.

My presentation will summarize this report with a focus on what to expect and how the needs of the different actors can be addressed so lyocell can be part of "a bright future". As Oliver Lansdell is not available I will present on our behalf at the Cellulose Fibres Conference in Cologne.

Defining the global lyocell market

In today's rapidly evolving textile industry, sustainability has transitioned from a niche interest to a central focus for both companies and consumers alike. Amid this shift, lyocell has emerged as a viable alternative to more established textile fibres, offering potentially enhanced environmental credentials, superior material properties, and wide-ranging applications.

Lyocell's potential as a mainstream fiber has emerged after years of dominance by Lenzing, which previously held the position as the sole global supplier with its production process protected by worldwide patents. As these patents have gradually expired, other companies like A.Birla, but also Chinese players have entered the market, boosting competition and availability. Investment in the sector has surged, with global production growing from just 200Kt in 2018 to an estimated 600Kt last year.

The growth of the lyocell market is being driven by rising consumer awareness and demand for sustainable clothing that maintains high performance standards. Additionally, governments worldwide are implementing stricter environmental regulations on the textile industry, particularly in China, where the lyocell industry has been earmarked as an 'encouraged' sector. China alone has announced 0.8Mt of new lyocell capacity before 2028, with an additional 1Mt under consideration. Driving the investment is RGE through their affiliate Sateri.

Sateri has ambitions to operate more than 0.5Mt of lyocell capacity by end-2025. To achieve this goal, Sateri has recently installed two lyocell plants in China: one at Changzhou Liyang (100Kt) and one at Nantong Rugao (100Kt). In December, groundbreaking began for a second plant in Changzhou, which will increase capacity by an additional 150Kt. We anticipate that Sateri will add at least three more large-scale capacities in China by 2028. Recent press reports in China indicate that Jining will be the focus of new investment, with \$1.5 billion allocated for a 600,000 t/yr lyocell plant. These investments are significant for the paper pulp market, as Sateri is likely to backward integrate a substantial portion of their DWP requirements by converting some of their paper pulp production to DWP at the Bracell mill.

We anticipate that these investments in new lyocell capacity will double the size of the global market by 2028 and help address many of the current growth bottlenecks. Specifically, we

foresee increased investment in processing facilities capable of dyeing lyocell fibre, as well as the installation of more spinning capacity to process the fibre. This will broaden the range of lyocell yarns available in the market and result in more consistent inventory. Such developments should alleviate concerns within the textile industry about supply security, fostering a more liquid market with greater choice. Consequently, lyocell is likely to gain wider market acceptance, particularly in blends with other fibres.

Market penetration is also anticipated to accelerate as production costs decline due to technological innovations and growing economies of scale, making lyocell increasingly competitive with its primary competitor, cotton. Additionally, production costs are expected to fall below those of viscose; according to market participants, this has already occurred in some of the most recently installed lyocell plants.

Currently, lyocell prices vary widely based on producers' sustainability criteria and product quality. Producers recognized as best in class by the NGO CANOPY enjoy a significant pricing premium over lower-ranked producers. Although we expect this two-tier market to persist, we anticipate the premium commanded by top-tier producers will gradually narrow as global lyocell supply increases.

For more information about the lyocell market, please refer to the recently published 'Defining the global lyocell market'. By integrating qualitative insights with quantitative data, this report provides detailed insights into the lyocell production process, key market participants, current market dynamics, and the projected growth trajectory of the global lyocell industry.

For more details: <https://www.hawkinswright.com/pulp-paper/defining-the-global-lyocell-market>

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