

Drax Group United Kingdom

Sectors: Biomass Electric Power Generation

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By: BankTrack, Biofuelwatch & Environmental Paper Network

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[#AxeDrax: For Forests, Communities and the Climate!](#)

Sector Biomass Electric Power Generation

Headquarters



Ownership

listed on London Stock Exchange

Drax's largest shareholders are Invesco, Schroders plc, Blackrock and Orbis Holdings Ltd. [See the Drax website here.](#)

Subsidiaries

[Opus Energy](#) – United Kingdom
[Pinnacle Renewable Energy \(Pinnacle Pellets\)](#) – Canada

Website

<http://www.drax.com>

About Drax Group

Drax Group PLC is a power generation business. The principal downstream enterprises are based in the UK and include Drax Power Limited, which runs Drax Power Station, UK's largest biomass power station. The Group also runs an international biomass supply chain business, with several pellet mills in the southern USA and Canada.

In 2019, Drax [announced](#) its ambition to become a "carbon-negative" company by 2030, by capturing up to 16 million tonnes of CO₂ per year from its biomass units, using [BECCS \(Bioenergy with Carbon Capture and Storage\)](#). It is extremely unlikely that Drax will be technologically able to fulfill this promise, but there is a risk the group will use it to secure more funds to keep burning biomass beyond 2027, when its current subsidies will run out.

Latest developments

New study confirms harmful impacts of biomass industry

[Mar 28 2022](#)

Why this profile?

Biomass is classified, and subsidised, by the UK government as renewable energy, but [in reality](#) it harms the climate, biodiversity, forests and communities. Drax is a heavy promoter of biomass electricity and the false climate solution of [Bioenergy with Carbon Capture and Storage](#) (BECCS).

Impacts

Social and human rights impacts

Environmental injustice: Wood pellet production increases [air pollution](#), wood dust, heavy traffic and noise. Pellet mills and export facilities are often sited in communities of colour and lower income communities - who are often already exposed to other forms of industrial pollution and social exclusion. In February 2021, Drax's Amite pellet plant in Mississippi was [fined a record \\$2.5 million](#) for having violated the state's air permit for years - however, this sum is roughly equivalent to the GBP 2 million Drax is receiving every single day in 'renewable energy' subsidies from the UK government. In the Southeastern USA, Drax's main pellet sourcing region, wood pellet plants are 50% more likely to be located in environmental justice communities (see [here](#) and [here](#)), i.e. counties where the poverty level is above the state medium, and at least 25% of the population is non-white.

Environmental and climate impacts

Forest destruction: Drax burns the [equivalent of 138% of the UK's total annual wood production](#). Its main sourcing regions are Southern US, Canada and the Baltic States.

Drax' biggest wood pellet supplier is the world's biggest pellet producer, Enviva. Enviva has been heavily criticised for regularly [sourcing wood](#) from clearcut coastal hardwood forests in the Southern US. As well as being home to black bears, salamanders and many bird species, these forests offer [crucial protection](#) from extreme weather events such as floods and droughts that are becoming increasingly common. While Drax and Enviva claim to use 'waste wood' and 'forest residues' for wood pellets, these terms [refer primarily](#) to the economic value of wood, and pelletising of [whole trees](#) is standard practice.

Drax also owns three pellet mills in the Southeastern US, with wood sourced mainly from [monoculture pine plantations](#). Across the region, such plantations have been expanded at the expense of the rich forest ecosystems that are being clearcut. According to a [study](#) commissioned by the Southern Environmental Law Center, burning pellets from US pine plantations in the UK will be worse for the climate than the UK's average electricity for a period of at least 40 years.

In 2021 Drax [acquired Pinnacle Pellets](#), a major pellet producer whose mills [are located](#) next to some of the last stands of primary forests in British Columbia, Canada, home to endangered wildlife like caribou and among the most carbon-rich in the world.

In [Estonia and Latvia](#), logging volumes have been increasing sharply as demand for wood, including for wood pellets for exports, has gone up. Logging is happening even in the few remaining old-growth forests, destroying habitat of rare and endangered species including Capercaillie, Black stork and Hazel grouse. In Estonia, the number of forest birds is declining by 50,000 breeding pairs year on year.

Climate change: Drax power station is the UK's [single biggest emitter of CO2](#), with around [16 million tonnes of CO2 emitted](#) in 2020, 13 million tonnes of which were from burning wood. Drax claims that carbon emitted from burning wood can be ignored because new trees will eventually absorb the same amount of CO2. This flies in the face of science. In February 2021, [500 scientists](#) wrote to world leaders, warning: "As numerous studies have shown, this burning of wood will increase warming for decades to centuries. That is true even when the wood replaces coal, oil or natural gas." In the same month, [87 scientists and economists](#) warned the UK government: "Forest bioenergy is adding increasingly large amounts of carbon dioxide to the atmosphere and reducing the capacity of forests to absorb atmospheric carbon dioxide, making it more difficult to reach net zero carbon as the stated goal for limiting global temperature. Adding carbon capture and storage (CCS) technology to a bioenergy plant does not resolve this issue." In October 2021, rating agency [S&P removed Drax](#) from its Global Clean Energy Index for failing to comply with their carbon standard.

Other impacts

Flawed claims around Carbon Capture and Storage: In 2018, Drax partnered with a start-up company called C-Capture to [trial capturing](#) one tonne of CO2 a day from biomass burning, financed by millions of pounds in government grants. This project failed, and, in March 2021, Drax described C-Capture's technology [as not proven](#). In June 2020, [Drax announced](#) a new carbon capture partnership with Mitsubishi Heavy Industries (MHI). The aim is to test the suitability of two MHI solvents for capturing carbon. One of

them was previously used in a failed and abandoned carbon capture [project in Texas](#), which had involved carbon capture from coal combustion. In July 2021, [Drax and MHI](#) stated that the trial – involving the capture of 300 kg of CO2 a day subsequently released into the atmosphere – had been successful and would form the basis of a planning application for installing carbon capture equipment in two of Drax’s four biomass units. However, no actual results from the trial have been published.

Beyond this very small and unpublished trial, CO2 capture from wood combustion has not been demonstrated anywhere in the world. On a [nine-stage technology readiness level ladder](#), the CCS from wood combustion technology has reached stage 4 or 5. Stages 5-8 are considered essential prior to full commercial application. This makes it all but inconceivable that Drax would be able to operate one, let alone two of their large biomass units with full carbon capture and storage from 2027/28, as they propose.

Governance

Bank policies

The following bank investment policies apply to this project:

NatWest Group

Forestry, fisheries and agri-business sectors policy

Jul 31 2020 | NatWest Group

Approach to climate change

Date listed represents date as accessed on website

Feb 23 2021 | NatWest Group

Nature and biodiversity statement

Oct 28 2021 | NatWest Group

Power sector policy

Nov 1 2021 | NatWest Group

Banco Santander

Environmental, social and climate risk policy

Mar 4 2021 | Banco Santander

JPMorgan Chase

Paris-aligned financing commitment

Oct 6 2020 | JPMorgan Chase

Environmental and social policy framework

Oct 8 2021 | JPMorgan Chase

Updates

New study confirms harmful impacts of biomass industry

Mar 28 2022

A [new study](#), commissioned by SELC, clearly shows the environmental and climate harms the biomass energy industry inflicts on forests in North Carolina and Virginia. For the study, researchers from Clark University used satellite images to evaluate the amount of forest cover lost near four wood pellet plants owned by Enviva, the largest wood pellet manufacturer in the world and supplier to Drax in the UK. Researchers found that logging in the sourcing areas near the four pellet mills sharply increased after Enviva began operating the plants. In 2019, Forest Service data shows that more than 6.6 million green tons of forest were cut for bioenergy or fuelwood in these areas. That's the equivalent of 71,000 acres of forests cut, with Enviva being a primary user of this wood. Furthermore, the study showed that from 2016 to 2018, Enviva's Ahoskie, Northampton, and Southampton pellet mills consumed nearly half of the wood from hardwood forest clearings in the sourcing area. Cutting forests at this scale can degrade water quality for communities downstream and destroy wildlife habitats, further threatening at-risk species. For more information see [here](#).

Financiers

Financial institutions have financed Drax via bond and share issuances as well as through shareholdings. See below for a specified overview of financial institutions involved.

In its Annual Report ([2020](#)), Barclays, Royal Bank of Canada and JPMorgan Chase are mentioned as Drax' banker (Barclays) and brokers.

Banks

[Bank of New York Mellon](#) United States [profile](#)

[Details](#) ▼

Bond issue – underwriter USD 750 million 2018 - 2025

BNY Mellon granted Drax a \$500m indenture in 2018, supplemented and amended in 2019, due in 2025. It granted a further \$250m in 2020, also due in 2025.

source: Drax, 2020 annual report (p.136)

[link](#)

[Barclays](#) United Kingdom [profile](#)

[Details](#) ▼

Bond owner/manager GBP 500 million 2017

Barclays and JP Morgan are the bookrunners of the bond.

source: [link](#)

Debt – corporate loan GBP 300 million

Barclays arranged the £300m facility agreement for Drax's coal-to-biomass conversion in 2012. This was amended and extended in 2015, 2017 and then 2020.

source: [link](#)

Debt – corporate loan

Drax signed an ESG-linked FX derivative agreement with the bank.

source: [link](#)

[JPMorgan Chase](#) United States [profile](#)

[Details](#) ▼

Bond owner/manager GBP 500 million 2017

Barclays and JP Morgan are the bookrunners of the bond.

source: [link](#)

[NatWest](#) United Kingdom [profile](#)

[Details](#) ▼

Debt – corporate loan

Drax signed an ESG-linked FX derivative agreement with the bank.

source: [link](#)

Royal Bank of Canada (RBC) Canada [profile](#)

[Details ▼](#)

Debt – corporate loan CAD 300 million 2021
source: Drax annual report 2021
[link](#)

Debt – corporate loan CAD 10 million 2021
revolving credit facility agreement
source: Drax annual report 2021
[link](#)

Santander Spain [profile](#)

[Details ▼](#)

Debt – corporate loan GBP 98 million 18 August 2020
A term loan facilities agreement between, amongst others, Drax Corporate Limited and Banco Santander S.A., London Branch (as facility agent).
source: [link](#)

Debt – corporate loan GBP 375 million 24 July 2019
A £375 million term loan facilities agreement between, amongst others, Drax Corporate Limited and Banco Santander S.A., London Branch (as facility agent).
source: [link](#)

Investment funds

Blackrock Advisors

[Details ▼](#)

Equity – share owner/manager June 2020
Blackrock is one of Drax's substantial shareholders, with 23,524,482 voting shares (6%)
source: Drax
[link](#)

Invesco

[Details ▼](#)

Equity – share owner/manager October 2020
One of Drax's substantial shareholders, with 38,578,024 voting shares (9%)
source: [link](#)

Orbis Investment Management

[Details ▼](#)

Equity – share owner/manager February 2021
One of Drax's largest shareholders, with 20,018,646 shares (5%) as of February 2021 (checked November 2021)
source: Drax
[link](#)

Schroder Investment Management

[Details ▼](#)

Equity – share owner/manager June 2021
One of Drax's substantial shareholders, with 38,333,806 voting shares (9%)
source: [link](#)

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