



URGENT CONCERNS OVER DRAFT SECONDARY LEGISLATION TO EXTEND SUBSIDIES FOR WOOD-BURNING POWER STATIONS: MP BRIEFING - MAY 2025



- In February the government announced plans to grant a further four years of subsidies to Drax, once existing subsidies expire in 2027.
- The government has now drafted the Statutory Instrument required to grant a new 'Contract for Difference' subsidy to Drax. This secondary legislation is being referred to a Delegated Legislation Committee meeting where all MPs have an opportunity to speak.
- Although the draft Statutory Instrument and Explanatory Memorandum do not specifically mention Drax, the House of Lords Secondary Legislation Scrutiny Committee has commented that it regrets the 'failure to make clear that the main and immediate financial beneficiary of the proposed new arrangements would be Drax.'
- These subsidies would enable Drax to continue degrading forests, harming wildlife, polluting communities and making the climate crisis worse for years to come, at enormous cost to bill payers.

WHY MPS SHOULD OPPOSE THE SUBSIDY EXTENSION FOR DRAX

BURNING WOOD FOR ELECTRICITY IS NOT 'LOW CARBON'

- Drax Power Station in Selby in Yorkshire is the UK's single largest carbon emitter and the biggest tree burner in the entire world. In 2024 alone Drax emitted over 13 million tonnes of CO2 - 3.5% of UK total emissions - and burned 7.3 million tonnes of wood, much of it from the clear-felling of biodiverse forests in the Southern USA, Canada and Europe, with catastrophic impacts on forests, wildlife, communities and the climate.
- Burning wood for electricity releases significant CO2 that isn't offset for decades until trees eventually regrow, if ever. Hundreds of scientists warned: 'this burning of wood will increase warming for decades to centuries... even when the wood replaces coal, oil or natural gas.'
- The Climate Change Committee has found that the "sustained use of large-scale biomass generation is not compatible with the path to Net Zero". •
- The new fossil-fuel related supply chain emission threshold is more than Drax's current supply chain emissions and overrides a 2019 decision for a much stricter limit on the supply chain greenhouse gas emissions (GHG) which wood-burning power stations can emit in order to receive new Contract for Difference subsidies. Drax would not have been able to meet the 2019 GHG limit

THE PROPOSED NEW SUBSIDIES ARE NOT 'VALUE FOR MONEY' FOR BILL PAYERS

- Last year, Drax received £869 million in subsidies from UK energy bill payers whilst making almost £1.1 billion in profits.
- Whilst the legislation laid would make it legally possible for small and medium-scale generators to apply for subsidies, the Government has made it clear it only intends to subsidise large-scale generators (only Drax and Lynemouth are eligible). Medium-size biomass and biogas power plants will lose subsidies once existing awards expire, and will likely have to close down. This will apply to 38 plants by the first of April 2031.
- Drax would burn around half as much wood as in 2023, but at a higher 'strike price'.
- In contrast to the savings which bill payers would receive if wood-burning subsidies end as planned in 2027, bill payers could now pay up to £628 million or even more per year for Drax. This also means that there will be less money available in the green energy budget for genuine climate solutions like home insulation or wind and solar power.

- There is no time limit included in the draft Statutory Instrument for these proposed new subsidies, yet the Government's announcement in February and the heads of terms agreed with Drax were very clear that these subsidies would be from 2027-2031.

DRAX'S TREE BURNING IS NOT 'SUSTAINABLE'

- The government says it will review biomass sustainability standards but is asking MPs to approve these new subsidies prior to this review (there is nothing to legislate that this sustainability overhaul must happen before these new subsidies are awarded)
- The Woodfuel Advice Note of 2017, linked to the sustainability requirements for biomass power, companies and contractors responsible for the management of areas from which wood is sourced, states they are required 'to comply with the local and national laws relating to health and safety and the welfare of workers.' However, Drax has violated environmental regulations 11,378 times from 2014-2024 at its pellet production facilities in the USA, and pellet mills Drax now owns in Canada have breached environmental laws 189 times since Drax started sourcing from them in 2012.
- The proposed changes to sustainability requirements for Drax's new contract are an admission that the current requirements are inadequate. They do nothing to address the real climate impacts of tree burning nor the significant health problems suffered by people who live close to pellet production plants in the US supplying Drax.

LACK OF TRANSPARENCY OVER THE GOVERNMENT'S RATIONALE FOR EXTENDING SUBSIDIES TO DRAX

- NESO modelling used by government to justify the awarding of subsidies to Drax as a necessity to guarantee security of supply has not been published despite requests yet billions of bill payers money is involved. MPs should at least have seen this modelling before agreeing such a huge commitment of spending - and carbon emissions.
- The Government has not yet responded to last month's Public Accounts Committee inquiry on Government Support for Biomass, highlighting grave concerns the biomass industry is 'marking its own homework' when proving the wood burnt is 'sustainably sourced.' The PAC was also not convinced the support agreement between DESNZ and Drax provides good value for money.
- The PAC inquiry also recommended that the KPMG reports covering Drax's supply chain processes in Canada be disclosed to Parliament for scrutiny.
- The House of Lords Secondary Legislation Scrutiny Committee in its 24th report has drawn the Draft Contracts for Difference to the special attention of the house raising a number of concerns: the draft legislation does not specifically mention Drax despite it clearly being the main beneficiary. The report also raises concerns about the sustainability of Drax's sourcing, the application of sustainability criteria, the proposed higher strike price and supports the call from the PAC that the KPMG report should be supplied to Parliament for scrutiny.

We are asking MPs to call on the Government to withdraw the draft Statutory Instrument to extend wood-burning subsidies due to the high cost to bill payers, concerns over the sustainability of Drax's wood sourcing and because of the climate, environmental and public health impacts.