Biofuelwatch submission to the Public Audit Committee's 2025 Inquiry into Government Support for Biomass

We would like to thank the Public Accounts Committee for the opportunity to contribute to this inquiry. Biofuelwatch provides information and undertakes advocacy and campaigning in relation to the climate, biodiversity, land and human rights and public health impacts of large-scale industrial bioenergy. Biofuelwatch has been following Drax very closely since 2012, and has published and co-authored numerous briefings and reports related to Drax and Lynemouth Power, UK biomass sustainability criteria and biomass subsidies, including a joint report about Drax's wood sourcing for its pellet mills in BC during 2023. We would be very happy to come and give oral evidence to the Public Accounts Committee.

In our submission we refer to the ministerial announcement regarding new biomass subsidies, made 10th February. Please read our submission as complementary to that by the Cut Carbon Not Forests coalition of which we are a member.

We are deeply concerned that new subsidies are to be awarded to Drax and Lynemouth Power, given the well-documented negative impacts on forests, climate and communities affected by pellet production.

Both companies' business model is based on burning imported wood pellets, many of these from clear-felled biodiverse forests in the Southern USA, Canada and other countries, and shipping them across the globe to be burnt at their Selby plant, releasing millions of tonnes of CO2 into the atmosphere each year. Stricter criteria or robust compliance arrangements cannot make this sustainable. In addition, Drax has been using part of its earnings from UK biomass subsidies towards expanding its pellet production capacity in North America, making it the world's second biggest pellet producer.

Burning biomass is not low carbon

The Public Accounts Committee's own report, published on 07/02/25, clearly identified the logical flaw which led to the mistaken decision in 2012 to treat and therefore subsidise large scale biomass power such as at Drax, in the UK as "low carbon". According to the report:

"We also note the issues caused by international accounting principles for carbon emissions. If materials are exported from another country, it is that country that has to report the emissions. The absurdity of this is if the UK sources were being used at Drax, all of the carbon emissions would have to be reported under UK emissions. Equally if we had sufficient timber, and the UK exported the same amount of pellets to the USA/Canada and they burnt them, the UK would have to report those emissions."

Burning wood in power stations like Drax in Yorkshire and Lynemouth in Northumberland releases significant carbon dioxide that is not offset for decades until trees eventually regrow, if they ever do. The Climate Change Committee (CCC) found "sustained use of large-scale biomass generation is not compatible with the path to Net Zero".

Counting the smokestack emissions from burning biomass as zero carbon in the UK energy sector wrongly assumes it does not impact the climate. Drax is the UK's single largest carbon emitter, emitting over 11 million tonnes of CO2 from burning wood in 2023. The European Academies Scientific Advisory Council says the negative impacts on the climate of burning wood may persist for decades to centuries.

This therefore also means the assumption that biomass burning with carbon capture will be carbon negative is incorrect. Even if Drax did capture CO2 for storage it is unclear whether 'negative emissions' produced from burning imported wood, would even be credited to the UK's carbon budget - the IPCC is going to produce by 2027 a methodology report on carbon dioxide removal technologies.

In 2021, 500 scientists warned:

"*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.*"

By continuing to grant public subsidies to wood-burning power stations like Drax, the Government is failing to account for these climate impacts, undermining its ambition to be a climate leader.

Sourcing from clearcutting mature forests

Drax has been shown to source pellets made from large quantities of roundwood from mature trees. From 2013 to 2023, the US NGOs Dogwood Alliance, NRDC and Southern Environmental Law Center published annual evidence of Enviva routinely sourcing trees from clearfelling of biodiverse coastal hardwood forests. Enviva is a large supplier of Drax and Lynemouth Power.

In 2018 investigators tracked multiple logging trucks carrying whole hardwood trees and other large-diameter wood to the Enviva Southampton, Virginia facility. The cut left an area of mature wetland forest devastated as well as nearly 100 acres of surrounding natural forest; in the early spring of 2019, investigators tracked logging trucks from a mature hardwood forest going to Enviva's Northampton, North Carolina facility; in late December 2021, investigators tracked logging trucks carrying wood chips from the town of Edenton and delivering those chips to Enviva's Ahoskie, North Carolina facility. Investigators witnessed hardwood trees, being chipped on site before going to Enviva's facility; in November 2022, investigators found Enviva Ahoskie sourcing trees from a North Carolina coastal plain forest that was being cleared and advertised for future industrial development, debunking Enviva's promise that it only uses wood from sites that will be replanted and remain forests. Loggers were again chipping the trees on site which eliminates yet another opportunity to ensure chain-of-custody standards are being met, making sourcing verification possible only if an inspector was on site during the chipping process.

In 2022 BBC Panorama exposed Drax to have been clearcutting Primary forests in Canada. Last year, BBC Panorama investigated again and found Drax continuing to burn wood from primary forests. In February 2024, research conducted by Biofuelwatch, Conservation North and Bulkley Valley Stewardship Coalition showed that throughout 2023, Drax routinely sourced whole logs from logging Primary and Old Growth Forests, including from logging sites with a high proportion of 250-year-old Ancient Forest, while another investigation last year found Drax had breached environmental laws 189 times at its Canadian pellet mills.

On 9th February this year, the BBC reported that it had discovered a further year of misreporting by Drax of its burning of wood from primary forests not looked at by Ofgem. In Europe, the UK's biomass comes from countries such as Estonia. There, 5,700 hectares of forests that are of "Woodland Key Habitat" quality, but aren't formally protected, have been logged, including for wood pellets. Logging licences have also been issued for over 82,000 hectares of forests within Natura 2000 areas, intended to protect rare and imperilled species.

In early 2024, a joint investigation by by Biofuelwatch and Portuguese NGO ZERO revealed that the Pinewells pellet plant, which supplies pellets to Drax, had been sourcing trees from clearcuts in the mountainous Serra da Lousã Nature Reserve, a Natura 2000 site.

Impacts on communities In the US

The recent ministerial statement makes no mention of the impacts on those living near wood pellet mills. On multiple occasions, companies producing wood pellets have been fined for breaching legal air pollution limits, especially in the U.S. Southeast where wood pellet mills are 50% more likely to be sited in "environmental justice" communities (i.e. predominantly non-white communities that live below the poverty line). In 2022, Drax was accused of driving 'environmental racism' after settling air pollution violations at its pellet mills in Louisiana. Burning wood in UK power stations releases harmful PM 2.5 particulates. According to new research by US scientists, there is no safe level of these particulates for human health. A recent investigation found Drax has violated US environmental regulations 11,378 times since 2014.

Lack of Transparency

Lord Birt made the following comments in the House of Lords:

"My Lords, I have seen the deeply troubling allegations presented by a staff whistleblower to at least one member of the Drax board. It is troubling reading. They allege outright dishonesty, cover-up, offers of under-the-table bribes and naked threats by some senior Drax executives. Has the Minister seen this evidence, or, as already mentioned, KPMG's internal investigations following the BBC "Panorama" report on Drax? If not, given the substantial public funding that Drax receives, will he ask to see them?"

The KPMG investigations refer to KPMG's regulatory reporting review, as mentioned in Drax's

2023 Annual Report. Requests have been made, including by ourselves, for this document to be made public, which have so far been declined. Can the Public Accounts Committee request to see this document and demand Drax provide an honest account about why - as reported by Private Eye (Issue No.1641 24/01/25) - a former civil servant had to bring legal proceedings against Drax? We understand the tribunal is listed for March and it would be prudent for the government to seek all relevant evidence from the whistleblowers before making decisions about Drax, or whether Ofgem has conducted its investigation thoroughly and its response has been correct and proportionate.

High Strike Price

The strike price set for the announced CfD is very high at £155/MWh in today's prices, despite the original intent of the CfD and RO being to support new low carbon technologies for a limited period. We would ask that the PAC insists that DESNZ explain why they have set the new transition support strike price as high as they have, particularly at a time when for other technologies the strike price is coming down.

DESNZ stated plant operators have indicated that without government support they are unlikely to be incentivised to continue generating electricity in its consultation on transitional subsidies. It's our view that PAC should demand to see the Drax supplied-data on their operating costs which a) led DESNZ to accept there was a case for bridging subsidies and b) presumably 'justifies' the new incredibly high CfD strike price.

Impact on electricity bills

All ROCs and CfDs were previously subject to a Levy Control Framework. The last government abandoned this framework but committed to a new Control framework, stating "The Control sets out that there will be no new low carbon electricity levies until the burden of such costs is falling." Figures were provided up to 2025. We can find no announcement regarding any levy control going forward, nor any assessment of impacts of new biomass subsidies in addition to the recent generous CfD allocations round which benefited mostly wind energy on electricity bills. We very much welcome the support given to wind energy - our concern is solely with the additional announcement of new subsidies for large biomass generators.

Security of supply

The government requested the National Energy System Operator (NESO)'s advice on the impact of removing support for Drax and Lynemouth (2.5 GW and 0.4 GW capacity respectively) from 2027. NESO says their analysis showed that without large-scale biomass, security of supply would not be ensured in scenarios with additional supply losses. There is both a lack of transparency and inconsistency here as the modelling upon which this advice is based does not appear to be published, and these results are clearly not in line with the Government's own Clean Power 2030 Action Plan. This shows that with sufficient progress on commissioning new wind capacity, there *is* a residual need for biomass electricity during the period in question,

however, that figure (minimum 2 GW) is far below the UK's existing biomass and biogas capacity, excluding Drax and Lynemouth Power, of 3.63 GW. Despite this, the interim subsidies are reserved for generators with a minimum capacity of supplying 100 MW of electricity, i.e. Drax and Lynemouth Power only.

It would appear that 38 biomass and biogas power plants whose net electricity capacity is below 100 MW, won't be eligible to apply for further subsidies once ROCs expire, before the end of March 2031 at the latest, quite a few much sooner. Some of those plants burn genuine waste, some burn virgin wood, and while we do have concerns around this in terms of climate impacts, this is all domestically sourced, preferable to shipping in wood from overseas. The government stated it wants to have better options come 2031, but allowing these plants to close won't put the UK in a better position when it comes to energy security. The decision to sacrifice the small and medium-size plants and give subsidies to two giant polluters seems nonsensical, given the criticisms the government claims it is taking on board apply overwhelmingly to the larger generators.

Furthermore, if the decision to grant further subsidies was genuinely about security of supply, why is Drax being awarded such a high, fixed amount at 50% of 2023 generation levels, much more than if they were supplying peaking power only. With a minimum annual contract floor of 22%, even as more genuine non-emissive renewable energy comes online Drax will still be obliged to supply electricity to the grid which could be provided instead from genuinely low carbon sources. Drax could instead be invited into the capacity market subsidy scheme to be on standby for peak demand periods.

UK Biomass Sustainability Criteria

Sustainability criteria, including land and greenhouse gas criteria for solid biomass eligible for renewable energy subsidies were introduced in 2015 and have remained unchanged, with the exception of the greenhouse gas threshold, which has been incorporated into the Standard Terms and Conditions for CfDs since 2018.

Shortly after they came into force, Biofuelwatch published an analysis of the land criteria as well as the Ofgem guidance (discussed below). We highlighted that the criteria were very vague and relate to general principles rather than detailed standards against which forest management can be assessed. We pointed out that they focused heavily on policies and procedures rather than outcomes, i.e. actual logging activities. For example, it was left open to companies how to interpret what "minimising environmental harm", or "protecting water, soil and biodiversity" means in practice. The criteria require the adoption of plans and policies, but not full compliance with them.

At present, 30% of the wood from sources that do not meet the land criteria can nonetheless be used for electricity generation eligible for subsidies (provided no illegal logging is involved). In his statement from 10th February, the Energy Minister announced that this will not apply to the proposed new Contracts for Difference from 2027. We believe this will make little difference in

practice, even if additional land criteria were added, such as the also announced prohibition of sourcing wood from primary, including oldgrowth forests. This is because of the reliance on voluntary certification schemes for 'proving' compliance with the standards.

The inherent flaws in this approach - i.e. using voluntary certification schemes for showing compliance with biomass sustainability criteria - have been documented in a recent report published by environmental NGO Fern. The report focuses on EU legislation, however, the problems identified in the report are equally relevant to biomass sustainability criteria in the UK. They include:

- ***Concealed conflicts of interest***, especially in relation to payment structures, whereby clients (such as Drax) choose from a number of different certification schemes and, within each scheme, from a number of different certification bodies, before contracting and paying their chosen certification body. This inevitably leads to a '***race to the bottom***' where a certification body that most strictly audits and enforces standards will be less likely to attract contracts and payments than a lax one.
- ***No government*** (or in the context of the report, European Commission) ***supervision of voluntary certification schemes***.
- ***Little transparency regarding the quality of the auditors and the conduct of the audits, and reliance on remote and paper-based auditing rather than detailed on-site inspections***. The latter very much applies to the Sustainable Biomass Program (SBP), discussed further below.
- ***No credible monitoring of the certification bodies by states/governments***.

The government has announced a new Biomass Sustainability Common Framework, and the appointment of an "independent sustainability adviser". However, we are deeply concerned that this is to happen at an unspecified later time, yet the government has already agreed Heads of Terms with Drax Power Ltd for a Low Carbon Dispatchable Contract for Difference (CfD) with Drax.

Drax relies primarily on the SBP to show compliance with land criteria. This follows from an Ofgem 'benchmarking' exercise and decision in 2015, according to which SBP can be used for this purpose. All Drax and Enviva pellet mills are SBP certified. Therefore, based on Ofgem's guidance, even pellets made from mature trees from clearcut oldgrowth forests in Canada, or from Enviva pellets made from mature trees from clearcutting highly biodiverse forests in the Southeastern USA have been treated as 'sustainable' - even though it seems impossible to reconcile them with the wording of the land criteria as such. As long as SBP and similar certification schemes can be used for the purpose of certifying imported biomass as sustainable, we cannot see any real scope for improvement.

Supply chain emissions (The "Greenhouse Gas Criteria")

The new CfD Heads of Terms also claim to reduce the supply chain emission threshold from 55.6 gCO2e/MJ to 36.6 gCO2e/MJ. Drax's supply chain emissions, mainly confined to largely unavoidable fossil fuel emissions associated with wood pellet production and transportation, are in the region of 100kgCO2e/MWh, (97 kgCO2 e/MWh or 26.94g/MJ in 2023), well below the subsidy threshold set in 2012 of 200 kgCO2e/MWh which Drax and Lynemouth have been allowed to operate within. This is despite the fact that in 2018 the Standard Terms and Conditions for all CfDs were amended and since then say solid biomass must meet a GHG Threshold of 29kgCO2eq/MWh or 8.1gCO 2eq/MJ, as included in the most recent Allocations Round 6. The new maximum level for supply chain emissions here is higher than the GHG threshold that forms part of the general terms and conditions of CfDs, and is 30% higher than Drax currently claims its supply chain emissions are. This strongly suggests Drax and Lynemouth Power will be given tailor-made terms and conditions - it seems that despite its systematic bad practice and misreporting Drax is still being given special treatment.