

UK Government Consultation on “Transitional support mechanism for large- scale biomass electricity generators”



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UK Government Consultation on “Transitional support mechanism for large-scale biomass electricity generators” – Implications for forests and climate, and for a transition to clean energy¹

Drax Power Station has so far received 7.1 billion in subsidies (coming from a surcharge on UK energy bills), and Lynemouth Power Station another £600 million,² both of them for burning millions of tonnes of wood pellets imported, more than 80% has come from North America. Those subsidies are due to finally end in 2027. Now, the government is consulting on new, so-called ‘transitional’ subsidies for both power stations, to start when existing ones expire. The ‘transition’ refers to future carbon capture and storage, yet the operators are not required to take any action to get closer to CCS under the suggested qualifying criteria. Instead, years of further subsidies for business-as-usual wood burning are proposed.

Alarmingly, the consultation paper states: “We encourage any party who considers they may be eligible for transitional support as outlined in this consultation to contact us by 31st March 2024” – one month after the consultation closes. This means that the government intends to award subsidy

contracts prior to its long-awaited review of Biomass Sustainability and Greenhouse Gas Standards, before the energy regulator, Ofgem, concludes its investigation into Drax's wood pellets from British Columbia,³ and before the Public Audit Committee has time to consider the findings of a recent National Audit Office (NAO) report. That report (published after this consultation came out) concluded that *"the government cannot demonstrate that its current arrangements are adequate to give it confidence industry is meeting sustainability standards"*.

Furthermore, there is no credible costing for the many possibilities that have been suggested for new subsidies. Depending on the type of subsidy contract chosen by the government, this could leave a big hole in the remaining budget for a "green energy" transition available in years to come.

Impacts on forests, climate and communities

Drax's and Lynemouth Power's largest sourcing region is the southeastern USA. There, one of the largest suppliers to both businesses, Enviva, regularly obtains wood from the clearing of extremely biodiverse coastal hardwood forests. In 2022, an Enviva whistle-blower confirmed what NGOs and investigative reporters had been documenting over many years:⁴ *"We take giant, whole trees. We don't care where they come from."*⁵ In British Columbia, BBC reporters revealed in 2022 that Drax, who operated several pellet mills in the province, had itself cut down primary forest.⁶

Burning wood pellets derived from trees is not any less disastrous for the climate than burning coal. As 500 scientists have said in a joint letter, *"The result of this additional wood harvest is a large initial increase in carbon emissions, creating a 'carbon debt', which increases over time as more trees are harvested for continuing bioenergy use...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."*⁷

Communities living close to pellet mills supplying those two large power stations are suffering from air pollution, wood dust and noise, in addition to the devastation of their forests. An article published by Greenpeace cites social justice campaigners in the southeastern USA accusing Drax of environmental racism after the company was *"forced to make settlement payments for air pollution claims against three of its US pellet plants - two of them are sited in poor, majority-Black communities"*.⁸

Who is eligible to apply for those new subsidies?

Only Drax and Lynemouth Power meet the proposed eligibility criteria. Drax can apply for all four units converted to biomass (even though their current subsidies only cover three units at any one time).

What do the operators need to do to comply with the 'transition towards CCS' criteria?

All they need to do is provide a feasibility report to show they have a "credible plan" to start carbon capture in time to contribute towards the UK's Sixth Carbon Budget – basically at any time before 2037! They do not need to have applied for planning consent for carbon capture. Lynemouth Power has not applied for such consent, and Drax has obtained planning consent for two out of the four eligible biomass units only.

How long would be subsidies be granted for, and could they be revoked once they have been granted?

The government has not specified the time-period of the 'transitional subsidies'. Potentially, they could be granted for many years. The proposed subsidies take the form of a legally binding contract. Because of this, it will be challenging for a subsequent government to withdraw them unless the operators break their end of the agreement. Even then, the decision on whether to end the contracts would be made by a state-owned but independent company, not by policy makers.

Is it true that those subsidies are aligned with the government's climate targets and with Committee on Climate Change advice?

In short: No. In 2018, the UK government decided that no new subsidies should be granted for biomass power stations unless the life-cycle greenhouse gas emissions are no more than 29 kgCO₂/MWh. Otherwise, they warned, biomass would increase the carbon intensity of the grid.⁹ Drax's life-cycle emissions were more than three times higher than that figure in 2022.¹⁰ The government's methodology is highly problematic in that it considers little more than fossil fuel burning during wood harvesting, processing and transport, yet new subsidies for Drax and Lynemouth do not even meet their own standards.

The Committee on Climate Change has endorsed Bioenergy with Carbon Capture and Storage (BECCS), however, it has also warned that "no further policy support (beyond current commitments) should be given to large-scale biomass plants that are not deployed with CCS technology".¹¹ The proposed subsidies are thus not compatible with Committee on Climate Change advice.

How much would those subsidies cost – and what does this mean for funding wind and solar power?

According to the government's Impact Assessment, the cost could be anything up to £2.5 billion a year. That is more than Drax and Lynemouth Power together have been getting in subsidies in recent years! This is money that will not be available to support a transition to genuinely renewable energy.

Even worse, the government acknowledges in its Impact assessment that it does not have the necessary information on pellet and thereby operating costs. They say that they will be seeking such information later. If pellets were to cost more than the government has assumed, the cost of the subsidies would go up further – possibly by a lot: for one thing, the Contract for Difference subsidies awarded to Drax and Lynemouth Power, were not 'generous' enough to convince those companies to operate their respective units for more than 14% and 20.4% in 2022/23.¹² This is despite the fact that the subsidy contracts guarantee both operators more than three times the price per megawatt hour than that provided to new offshore wind projects!¹³ No doubt, Drax and Lynemouth Power will be lobbying for even more generous subsidy contracts post-2027.

And it gets worse: The world's biggest pellet producer (an important supplier to Drax and Lynemouth power), Enviva, is on the verge of bankruptcy.¹⁴ This could push pellet prices to record heights, thus further increasing the financial burden of the proposed subsidies.

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- ¹ [gov.uk/government/consultations/transitional-support-mechanism-for-large-scale-biomass-electricity-generators](https://www.gov.uk/government/consultations/transitional-support-mechanism-for-large-scale-biomass-electricity-generators)
- ² Report: The government's support for biomass, National Audit Office, January 2024, nao.org.uk/wp-content/uploads/2024/01/Report-the-governments-support-for-biomass.pdf
- ³ [ofgem.gov.uk/publications/ofgem-investigating-drax-power-limiteds-compliance-reporting-requirements-relating-renewables-obligation](https://www.ofgem.gov.uk/publications/ofgem-investigating-drax-power-limiteds-compliance-reporting-requirements-relating-renewables-obligation)
- ⁴ See for example: Global Markets for Biomass Energy are Devastating U.S. Forests, NRDC, Southern Environmental Law Center, Dogwood Alliance, June 2023 edition, cutcarbonnotforests.org/wp-content/uploads/2023/06/global-markets-biomass-energy-devastating-us-forests-202306.pdf
- ⁵ Whistleblower: Enviva claim of 'being good for the planet... all nonsense', Justin Catanoso, Mongabay, 5th December 2022 news.mongabay.com/2022/12/envivas-biomass-lies-whistleblower-account/
- ⁶ Drax: UK power station owner cuts down primary forests in Canada, Joe Crowley and Tim Robinson, BBC, 3rd October 2022, [bbc.co.uk/news/science-environment-63089348](https://www.bbc.co.uk/news/science-environment-63089348)
- ⁷ Letter Regarding Use of Forests for Bioenergy, 11th February 2021, [woodwellclimate.org/letter-regarding-use-of-forests-for-bioenergy/](https://www.woodwellclimate.org/letter-regarding-use-of-forests-for-bioenergy/)
- ⁸ Drax accused of driving 'environmental racism' after further pollution claims against wood pellet mills in US deep south, Sam Quashie-Idun and Christopher Deane, Greenpeace Unearthed, 26th September 2022, unearthed.greenpeace.org/2022/09/26/drax-accused-environmental-racism-further-pollution-claims-against-wood-pellet-mills-us/
- ⁹ Contracts for Difference Scheme for Renewable Electricity Generation - Government response to consultation on proposed amendments to the scheme - Part B, August 2018, assets.publishing.service.gov.uk/media/5b8669e4ed915d7e2f6ef18a/Part_B_Consultation_Response.pdf
- ¹⁰ Drax Annual Report 2022, March 2023, [drax.com/wp-content/uploads/2023/03/Drax_AR2022_single_pages.final_.pdf](https://www.drax.com/wp-content/uploads/2023/03/Drax_AR2022_single_pages.final_.pdf)
- ¹¹ Biomass in a low-carbon economy, Committee on Climate Change, November 2018, [theccc.org.uk/wp-content/uploads/2018/11/Biomass-in-a-low-carbon-economy-CCC-2018.pdf](https://www.theccc.org.uk/wp-content/uploads/2018/11/Biomass-in-a-low-carbon-economy-CCC-2018.pdf)
- ¹² [ref.org.uk/generators/view.php?rid=DRX](https://www.ref.org.uk/generators/view.php?rid=DRX) and [ref.org.uk/generators/view.php?rid=LYN](https://www.ref.org.uk/generators/view.php?rid=LYN)
- ¹³ <https://www.lowcarboncontracts.uk/our-schemes/contracts-for-difference/register/>
- ¹⁴ Wood Pellet Maker Enviva Misses Bond Payment, Alexander Gladstone, Wall Street Journal, 16th January 2024, [wsj.com/articles/wood-pellet-maker-enviva-misses-bond-payment-82b39df7](https://www.wsj.com/articles/wood-pellet-maker-enviva-misses-bond-payment-82b39df7)
- * Note that Drax did operate two units funded by a different type of subsidies (Renewable Obligation Certificates) at much higher load.