



BRIEFING: WHY BLACKROCK SHOULD DIVEST FROM BIOMASS, STARTING WITH DRAX PLC

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Enviva sourcing area, mature hardwood forest, North Carolina. Photo by Dogwood Alliance.

BIOMASS AND DRAX

Drax Power Station, based in Yorkshire, UK, is the world’s largest biomass power station (and formerly the UK’s largest coal burner). It is owned by Drax Plc, an enthusiastic promoter of biomass electricity as an alternative to coal.

WHAT IS BIOMASS AND WHY IS IT A DIRTY SOURCE OF ENERGY?

Contributes to climate change:

To have any chance of staying within 1.5° of global warming, we need to reduce CO₂ levels and emissions rapidly. This means that as well as quitting fossil fuels, we must protect and restore forest ecosystems and other biodiverse habitats. The only proven way to remove carbon from the atmosphere is to allow natural ecosystems, including soils, to grow and regenerate. Replacing fossil fuels with an energy system that relies on cutting down trees is a false solution.

Per unit of energy generated, biomass emits more CO₂ than coal. In 2018, Drax reported that its biomass burning released 13 million tonnes of CO₂ into the atmosphere. The company argues that almost all of the emissions from biomass burning can be ignored because biomass is ‘renewable’, and current UK policy treats biomass as having zero emissions in the power sector. However, carbon released from

burning wood now won't be reabsorbed by new tree growth for decades, if ever.

Causes deforestation:

62% of the wood pellets burned by Drax in 2018 came from the southern US. Drax's largest external pellet supplier is the world's biggest pellet producer, Enviva. Enviva has been found to source wood from clearcut coastal hardwood forests – many of them biodiverse swamp or wetland forests, home to rare and endangered species.

Additionally, Drax owns three of its own pellet mills in the southern US, which source wholly or 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. They are ‘sterile’ plantations with virtually no undergrowth, inhospitable to wildlife.

Drax also burns millions of tonnes of pellets that come from clear-cut forests in Canada and the Baltic states.

Harms communities:

The biomass industry in the southern US harms communities twice over: by causing deforestation and the spread of ‘sterile’ monoculture plantations; and by siting wood pellet production facilities in or near low-income, minority communities. These facilities cause air and noise pollution from wood dust, the noise

produced by the facilities, and increased truck traffic. Residents living nearby suffer from respiratory problems, disrupted sleep, and increased allergies.

Inefficient:

Biomass electricity is the least efficient way of using land to produce energy. In 2018, Drax burned pellets made from 16 million tonnes of wood¹ – more than the UK can produce in a year – and provided only 0.83% of the UK’s energy needs for the year.²

DRAX AND BLACKROCK

BlackRock holds 5% of Drax’s stock, making it one of Drax’s largest shareholders. Drax receives around £2 million a day in government subsidies and would not stay afloat without this money. This dependence makes the company vulnerable to policy changes and a financial risk for BlackRock.

BlackRock’s 2020 letter to clients³ states that:

“BlackRock currently manages \$50 billion in solutions that support the transition to a low-carbon economy,” and “We have a responsibility to engage with companies to understand if they are adequately disclosing and managing sustainability-related risks, and to hold them to account through proxy voting if they are not.”

Therefore, BlackRock should:

- Clarify whether it currently considers biomass as one of the solutions that support the transition to a low-carbon economy, and if so, how it reached this decision;
- Divest from companies whose revenue comes from burning forest biomass, starting with Drax.



Log truck entering an Enviva pellet mill. Photo Dogwood Alliance.



A message for shareholders outside Drax’s AGM 2019.

1. <https://www.drax.com/wp-content/uploads/2019/03/Drax-Annual-report-accounts-2018.pdf> One tonne of pellets = approximately 2 tonnes of green roundwood.

2. Drax generated 13.8 TWh of electricity from burning wood in 2018 (<https://www.drax.com/wp-content/uploads/2019/03/Drax-Annual-report-accounts-2018.pdf>). The UK’s total energy demand that year was 154 million toe, which is 1,663.09 TWh

3. <https://www.blackrock.com/corporate/investor-relations/blackrock-client-letter>