OXFORD ECONOMICS

THE ECONOMIC IMPACT OF DRAX POWER STATION IN THE UK

JULY 2023

drax

THE ECONOMIC IMPACT OF DRAX POWER STATION IN THE UK

Direct | Indirect | Induced

£735 million Total contribution to UK GDP

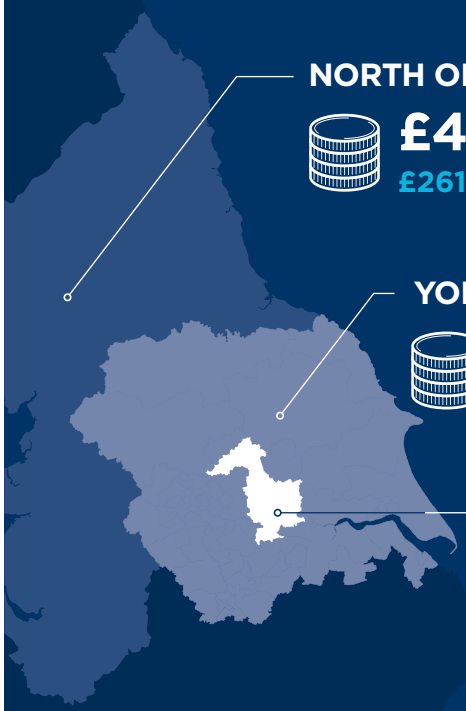
£349 million | £199 million | £187 million

7,130 Total UK jobs supported

1,074 jobs | 3,440 jobs | 2,620 jobs

£154 million Total UK tax contribution

£51 million | £49 million | £53 million



NORTH OF ENGLAND*

£412 million GDP
£261mn | £67mn | £83mn

3,550 JOBS
904 | 1,290 | 1,360

YORKSHIRE & THE HUMBER

£358 million GDP
£261mn | £35mn | £62mn

2,580 JOBS
904 | 640 | 1,040

SELBY & AINSTY

£278 million GDP
£261mn | £1.1mn | £16.2mn

1,190 JOBS
901 | 20 | 270

6%
of total UK electricity is generated by Drax.

11%
of total UK renewable power is generated by Drax.

*North of England comprises the Yorkshire and The Humber, North West, and North East regions.

EXECUTIVE SUMMARY

6%

of the UK's electricity is provided by Drax Power Station.

Drax Power Station plays a key role in the British energy market. Located in Selby, North Yorkshire, it provides 6% of the UK's electricity and is responsible for 11% of the country's renewable power.

This impact assessment, commissioned by Drax Group, evaluates the total contribution of Drax Power Station to the UK economy, the UK's 12 constituent nations and regions, and Selby and Ainsty parliamentary constituency.

The assessment considers Drax Power Station's own operations, the economic activity supported by its procurement spending, and its payments to employees.[1] These impacts are quantified through three key metrics: contribution to gross domestic product (GDP), jobs sustained, and tax revenues stimulated.

Drax Power Station has a significant economic footprint across the UK economy.

Drax Power Station supports a sizeable contribution to UK GDP. We estimate Drax Power Station supported a total contribution to UK GDP of £735 million in 2021. Nearly half of this total, £349 million, was generated by Drax Power Station itself—its direct impact. A further £199 million contribution to UK GDP was supported by its sizeable spending with suppliers—its indirect impact. The remaining £187 million contribution to UK GDP was supported by the payment of wages associated with operating Drax Power Station, and the firms in its supply chain—its induced impact.

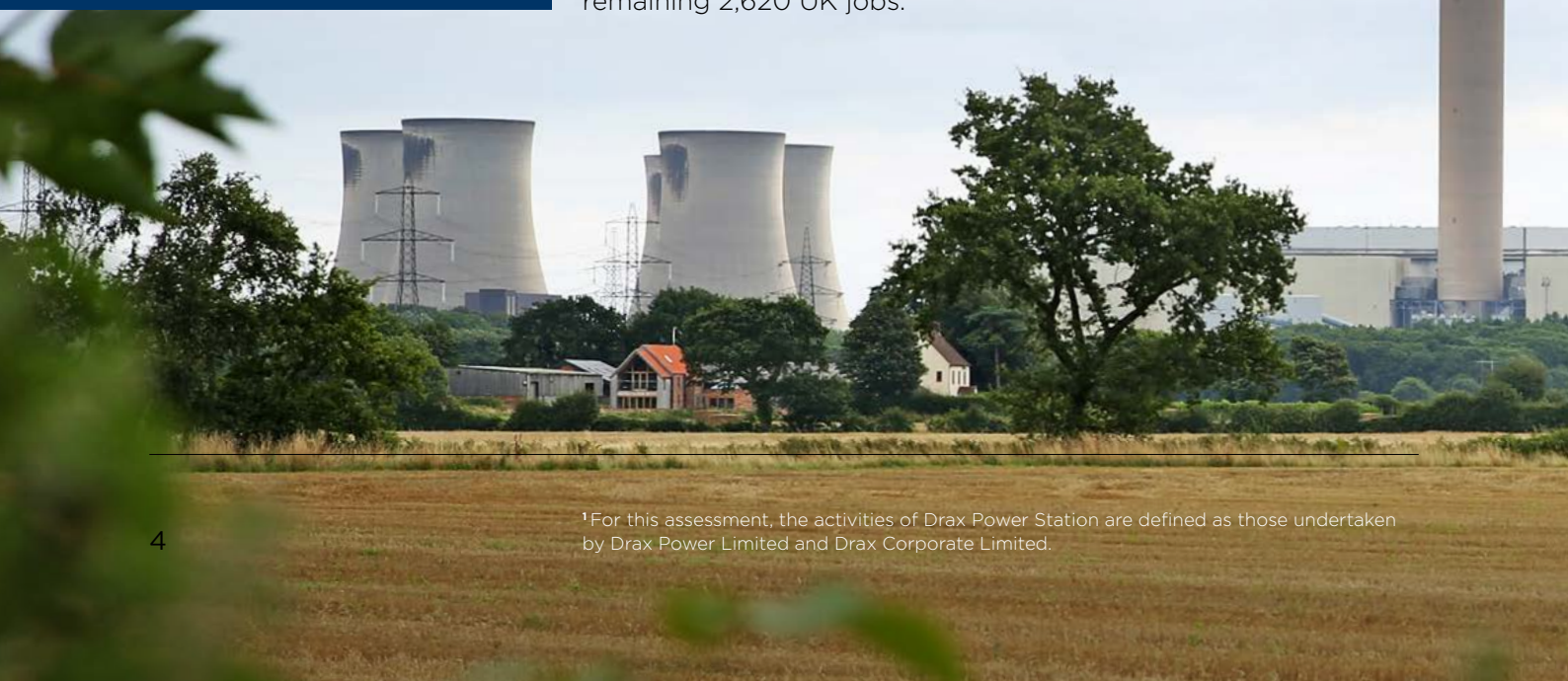
£735 million

Drax Power Station's total contribution to UK GDP in 2021, along with

7,130 jobs

supported.

Across the UK, Drax Power Station sustained an estimated total of 7,130 jobs. On top of Drax Power Station's own 1,074 employees, its procurement spending supported a further 3,440 jobs along its UK supply chain. The wage-induced spending attributable to Drax Power Station sustained the remaining 2,620 UK jobs.



[1] For this assessment, the activities of Drax Power Station are defined as those undertaken by Drax Power Limited and Drax Corporate Limited.

The activity and employment supported by Drax Power Station stimulated significant tax revenues for the UK Exchequer. Drax Power Station raised an estimated £154 million in tax revenues in 2021, comprising the tax paid by Drax Power Station and its employees (£51 million), along with those stimulated along its supply chain (£49 million) and by the wage induced spending it sustains (£53 million).

The economic activity supported by Drax Power Station is spread across the UK but greatest in the Yorkshire and The Humber region.

Drax Power Station supported a total contribution to GDP of £358 million in the Yorkshire and The Humber region in 2021. This primarily comprised Drax Power Station's direct contribution to GDP of £261 million. But through its procurement spending, it supported a further £35 million contribution to GDP in the region, along with a £62 million contribution to GDP sustained through the wage-financed spending of the Drax Power Station employees.

A total of 2,580 jobs were supported by Drax Power Station in the Yorkshire and The Humber region in 2021. As well as the 904 direct employees working in the region, Drax Power Station's procurement spending supported a further 640 jobs, with the remaining 1,040 jobs supported by wage-financed spending in the region's consumer economy which is attributed to the power station.

Drax Power Station supports economic activity in the Selby and Ainsty parliamentary constituency. In Selby and Ainsty, Drax Power Station supported a £278 million contribution to GDP in 2021. This was equivalent to 12% of Selby and Ainsty's total economy in that year, and comprised mostly the activities of the power station itself, supporting a £261 million direct contribution to GDP. It is also estimated to have supported a total of 1,190 jobs in Selby and Ainsty—equivalent to one in every 40 jobs located in the area.

£358 million

Drax Power Station's total contribution to GDP in Yorkshire and The Humber in 2021, along with

2,580 jobs

supported.

£278 million

Drax Power Station's total contribution to GDP in Selby and Ainsty in 2021, along with

1,190 jobs

supported.

THE ECONOMIC IMPACT OF DRAX POWER STATION IN THE UK

1. THE IMPACT OF DRAX POWER STATION ON THE UK ECONOMY

Drax Power Station supports a significant contribution to the UK economy. Through its own operations, it directly contributed £349 million to UK GDP. This direct contribution to GDP is calculated using the so-called income approach to national accounting as the sum of the gross profits earned by Drax Power Station and the employee compensation it paid.

£735 million

Drax Power Station's total contribution to UK GDP in 2021.

But beyond its own operations, Drax Power Station also has a sizeable supply chain, spending more than £200 million with UK suppliers. Its purchases of goods and services from other UK businesses stimulates further economic activity across the economy. In 2021, we estimate Drax Power Station's procurement spending supported a further £199 million to UK GDP, known as its indirect impact.

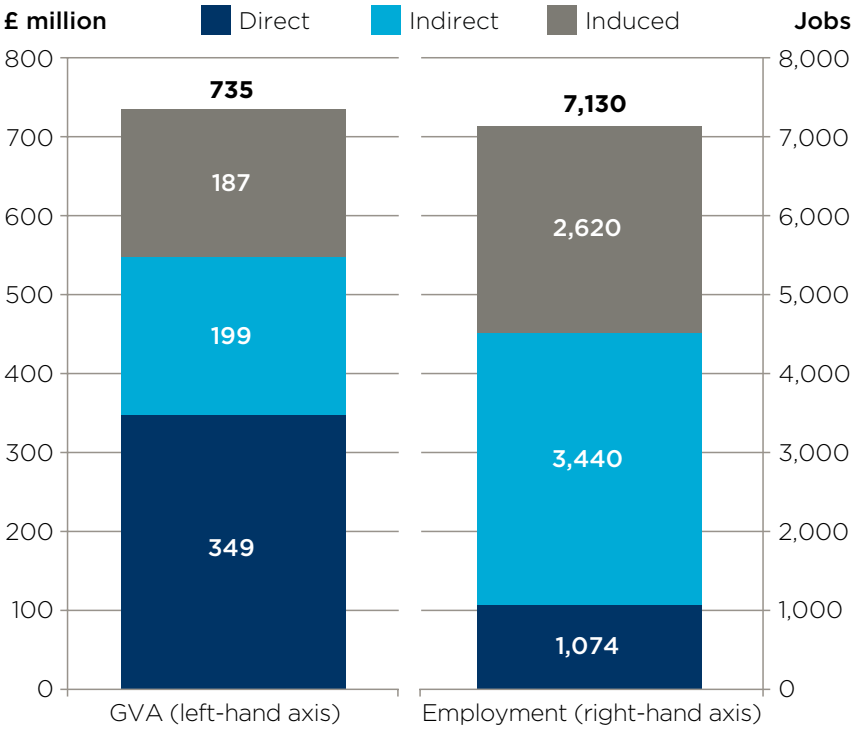
In addition, the wage-financed spending of those employed by Drax Power Station, as well as those employed along its supply chain, stimulated further activity in the consumer economy. We estimate this wage-financed spending attributable to Drax Power Station supported an additional £187 million contribution to UK GDP, known as its induced impact.

Drax Power Station's total economic footprint in the UK is the sum of the aforementioned direct, indirect, and induced impacts.

By combining these channels of impact, we estimate that Drax Power Station supported a £735 million contribution to UK GDP in 2021.

Drax Power Station supports employment across the country. Some 1,074 people were directly employed by Drax Power Station. Most of these jobs (901 employees) were located in Selby at the power station itself, with some other roles supporting the operation of Drax Power Station from London (93 employees) and elsewhere.[2]

Fig. 1: Drax Power Station's total economic footprint in the UK, 2021



Source: Oxford Economics

Figures may not sum due to rounding

[2] This number is taken as the average headcount of 'Drax Employees' throughout the year 2021.

Its spending with suppliers supported a further 3,440 jobs along its UK supply chain, with another 2,620 jobs sustained in the consumer economy by the wage-induced spending it supports. We therefore estimate Drax Power Station supported a total of 7,130 jobs in the UK in 2021.

Drax Power Station also stimulated a contribution of tax revenues to the UK Exchequer. Drax Power Station and its employees paid £51 million in taxes to the UK authorities in 2021, comprising £23 million in corporation tax and an estimated £29 million in labour taxes. Through its procurement spending, Drax Power Station stimulated a further £49 million in tax payments along its UK supply chain—the majority of which was labour taxes (£36 million). Lastly, the wage-induced spending attributable to Drax Power Station sustained an additional £53 million in taxes revenues. This sums to an estimated total of £154 million in tax revenues paid to the UK Exchequer in 2021, attributable to Drax Power Station.

7,130 jobs

The total number of UK jobs supported by Drax Power Station in 2021.

2. THE IMPACT OF DRAX POWER STATION ACROSS THE UK'S REGIONS

The impact of Drax Power Station is realised across the UK's constituent nations and regions. The power station supported its largest economic footprint in the Yorkshire and The Humber region where it is located. But owing to its procurement spending with suppliers across the UK, and the spending of its employees and those employed in its supply chain in the UK's consumer economy, the economic impact of Drax Power Station also reverberates across the rest of the UK's nations and regions.

The majority of Drax Power Station's direct contribution to GDP was generated at its site in the Yorkshire and The Humber, at £261 million. Its remaining contribution to GDP was spread among the small number of other sites in other regions where support functions are located.

Drax Power Station's £214 million procurement spending in 2021 is spread across all 12 nations and regions of the UK. Drax Power Station spent the most with suppliers in the South East region (23% of the total), followed by the Yorkshire and The Humber (19% of the total) with suppliers local to the site. Through this spending, Drax Power Station generated a £41 million indirect contribution to GDP in the South East, and a £35 million contribution to GDP in the Yorkshire and The Humber. Drax Power Station also had a notable impact in London, where its spend (also 19% of the total), mostly in the financial services sector, generated a £36 million indirect contribution to regional GDP.

With the largest share of its employees residing in Yorkshire and The Humber, Drax Power Station supported a significant contribution to GDP through the spending it supports in the region's consumer economy through the wages it pays. This spending supported a further £62 million contribution to GDP in Yorkshire and The Humber in 2021. A further £24 million was contributed to GDP in London, as well as £23 million in the South East, which is more reflective of the wage-induced spending supported along Drax Power Station's supply chain.

£358 million

Total contribution of Drax Power Station to Yorkshire and The Humber's GDP in 2021.

Overall, Drax Power Station's greatest economic footprint was in Yorkshire and The Humber, where it made a total contribution of £358 million in 2021. This primarily comprised Drax Power Station's direct contribution to GDP, sustained at the site itself (73% of this total), but supported by its indirect, supply chain impact (10%), and the impact of wage-induced spending in the region's consumer economy, which accounted for the remaining 17%.

Of the 1,074 people directly employed to operate and support Drax Power Station in 2021, the vast majority (904 workers) were based in the Yorkshire and The Humber region. There were a number of other roles across the UK supporting its operation, with a further 158 roles based across the rest of England, including 93 in London and 34 in the East Midlands, 10 jobs in Scotland, and two in Wales.

2,580 jobs

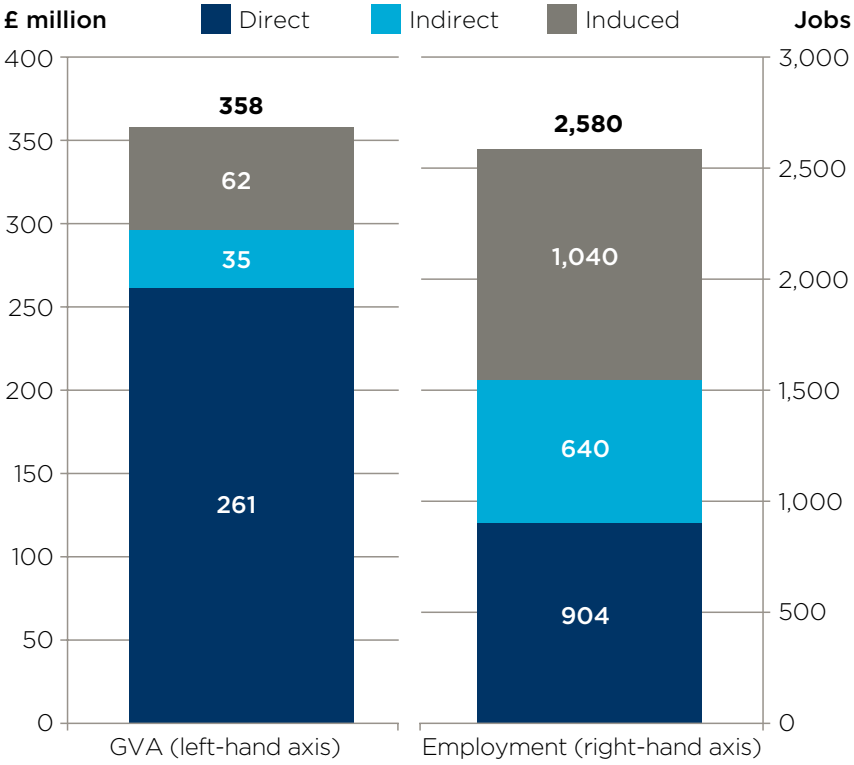
The number of jobs supported by Drax Power Station in Yorkshire and The Humber in 2021.

In 2021, an estimated 3,440 jobs were sustained along Drax Power Station's supply chain in the UK. Reflecting the pattern of its spending, 690 jobs were indirectly supported in the South East, and 640 jobs in Yorkshire and The Humber. An additional 430 jobs were supported in London, and 390 jobs in the North East.

Wage-financed spending in the consumer economy supported an additional 1,040 jobs in Yorkshire and The Humber in 2021. This was followed by the South East, where 300 wage-induced jobs were supported, London (200 jobs), and the North East (180 jobs).

Drax Power Station supported 2,580 jobs in the Yorkshire and The Humber in 2021. These jobs were distributed between Drax Power Station's own employees (35% of the total), the jobs supported along Drax Power Station's supply chain in the region (25% of the total), and jobs supported in the consumer economy by wage-funded spending attributable to Drax Power Station (the remaining 40%). Drax Power Station also supported a total of 1,000 jobs in the South East, 720 jobs in London, and 570 jobs in the North East.

Fig. 2: Drax Power Station's total economic footprint in Yorkshire and The Humber, 2021



Source: Oxford Economics

Figures may not sum due to rounding

3. THE IMPACT OF DRAX POWER STATION IN SELBY AND AINSTY

Drax Power Station is located in the Selby and Ainsty parliamentary constituency, and plays an important role in this local economy. In 2021, Drax Power Station contributed a total of £278 million to GDP in Selby and Ainsty (Fig. 3). This was equivalent to 12% of Selby and Ainsty's total economy in that year. It is also estimated to have supported a total of 1,190 jobs in the constituency (Fig. 4), which is equivalent to one in every 40 of all the jobs there.

The activities of the power station itself supported a £261 million contribution to GDP, with 901 direct workers based at the site. The constituency received 0.6% of Drax Power Station's procurement spending, which supported a £1.1 million indirect contribution to GDP and 20 indirect jobs with suppliers. But a significant 21% of its compensation of employees was paid to workers residing in the constituency.[3] The wage-induced spending of these employees in the constituency is estimated to have supported an additional £16.2 million contribution to GDP, and a further 270 jobs in the consumer economy, in 2021. The induced impact being high in the locality is reflective of the Drax Power Station workers living—and therefore spending their wages—close to their workplace, while procurement spending is more distributed across the region and nation more broadly.

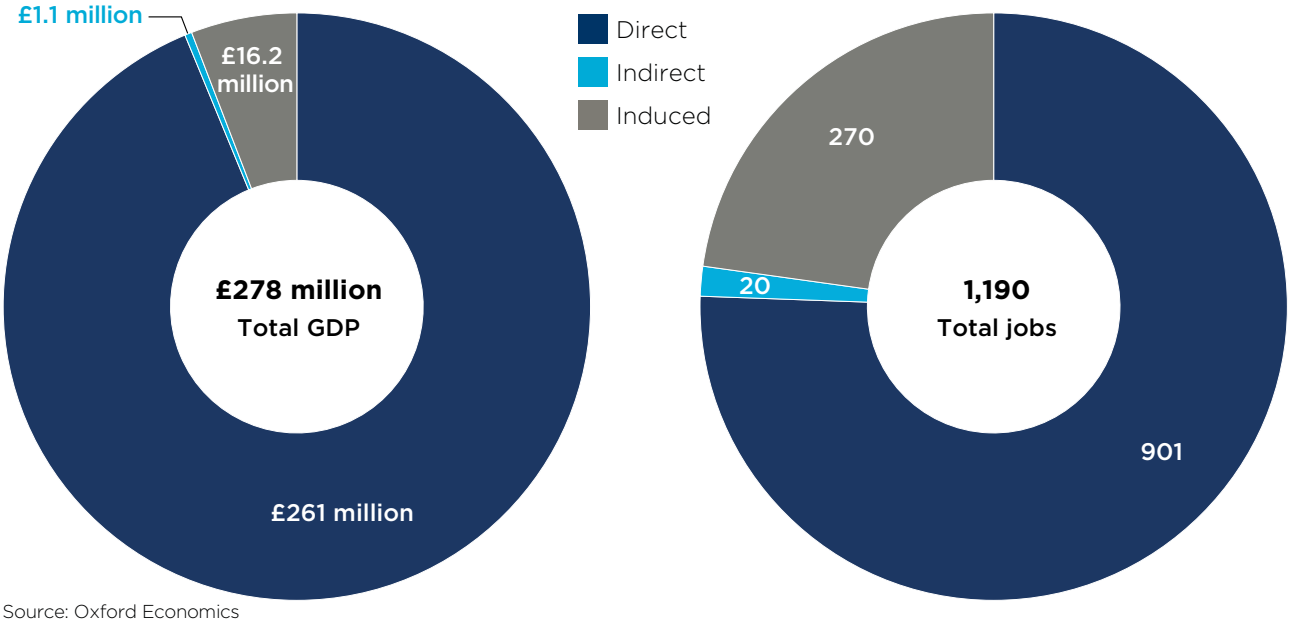
£278 million

Total contribution of Drax Power Station to GDP in Selby and Ainsty in 2021, along with

1,190 jobs

supported.

Fig. 3: Drax Power Station's total contribution to GDP in Selby and Ainsty, 2021



Source: Oxford Economics

[3] Estimates for the number of jobs supported are rounded to the nearest five. Constituency totals may not sum due to rounding.


drax


20H
VECTOR
DRIVE

METHODOLOGY

To estimate the direct economic impact of Drax Power Station, Oxford Economics utilised the information provided by Drax in 2021 that was used in its previous economic impact report on Drax Group's operations in the UK, U.S., and Canada. This data included detailed information on employment, spending, and costs incurred through the activities of Drax Power Station, as well as its sources of income and cash flows. We used its gross profits (measured as EBITDA) and compensation of employees to measure the gross value added contribution of Drax Power Station to gross domestic product (GDP). In this case, the activities of Drax Power Station are defined as those undertaken by Drax Power Limited and Drax Corporate Limited.

Oxford Economics put together a detailed model of the UK economy, initially comprising 105 industries in each of the 12 standard statistical regions. The 105 industries are those found in the most detailed version of the ONS set of UK input-output (I-O) tables. A domestic input-output table gives a snapshot of an economy at a given point in time. The model shows the major spending flows from "final demand" (i.e., consumer spending, government spending, investment, and exports to the rest of the world); intermediate spending patterns (i.e., what each sector buys from every other sector—the supply chain in other words); how much of that spending stays within the domestic/provincial economy; and the distribution of income between employment income and other income (mainly profits). In essence, an input-output table shows who buys what from whom in the economy.

To estimate Drax Power Station's indirect impact in the UK's constituent nations and regions, we fed in the company's data on the amount spent and type of goods and services purchased from its suppliers. To capture any "feedback effects" arising from any of Drax Power Station's international procurement, we used Oxford Economics' Global Sustainability Model to model trade flows across industries and how this feeds back to industries in the UK further along the supply chain. In order to calculate the induced impact, we input the information on compensation it pays to workers, as provided by Drax, which is distributed throughout the consumer economy using the I-O tables.

Constituency results are derived from a model built by Oxford Economics using information from the ONS Business Register and Employment Survey (BRES) to map the location share of industry and region for each Parliamentary Constituency. We input information on Drax Power Station's procurement spending and wage payments (for employees' home postcodes to reflect where the wages will be spent) to measure the indirect and induced impacts at this local level.

OXFORD ECONOMICS

Oxford Economics was founded in 1981 as a commercial venture with Oxford University's business college to provide economic forecasting and modelling to U.K. companies and financial institutions expanding abroad. Since then, we have become one of the world's foremost independent global advisory firms, providing reports, forecasts and analytical tools on more than 200 countries, 100 industries, and 7,000 cities and regions. Our best-in-class global economic and industry models and analytical tools give us an unparalleled ability to forecast external market trends and assess their economic, social and business impact.

Headquartered in Oxford, England, with regional centres in New York, London, Frankfurt, and Singapore, Oxford Economics has offices across the globe in Belfast, Boston, Cape Town, Chicago, Dubai, Dublin, Hong Kong, Los Angeles, Melbourne, Mexico City, Milan, Paris, Philadelphia, Stockholm, Sydney, Tokyo, and Toronto. We employ 600 staff, including more than 350 professional economists, industry experts, and business editors—one of the largest teams of macroeconomists and thought leadership specialists. Our global team is highly skilled in a full range of research techniques and thought leadership capabilities from econometric modelling, scenario framing, and economic impact analysis to market surveys, case studies, expert panels, and web analytics.

Oxford Economics is a key adviser to corporate, financial and government decision-makers and thought leaders. Our worldwide client base now comprises over 2,000 international organisations, including leading multinational companies and financial institutions; key government bodies and trade associations; and top universities, consultancies, and think tanks.

July 2023

The modelling and results presented here are based on information provided by third parties, upon which Oxford Economics has relied in producing its report and forecasts in good faith. Any subsequent revision or update of those data will affect the assessments and projections shown.

To discuss the report further please contact:

James Bedford
jbedford@oxfordeconomics.com

Stephen Foreman
sforeman@oxfordeconomics.com

Oxford Economics
4 Millbank,
London
SW1P 3JA, U.K.

Tel: +44 203 910 8061

OXFORD
ECONOMICS

Global headquarters
Oxford Economics Ltd
Abbey House
121 St Aldates
Oxford, OX1 1HB
UK
Tel: +44 (0)1865 268900

London
4 Millbank
London, SW1P 3JA
UK
Tel: +44 (0)203 910 8000

Frankfurt
Marienstr. 15
60329 Frankfurt am Main
Germany
Tel: +49 69 96 758 658

New York
5 Hanover Square, 8th Floor
New York, NY 10004
USA
Tel: +1 (646) 786 1879

Singapore
6 Battery Road
#38-05
Singapore 049909
Tel: +65 6850 0110

Europe, Middle East and Africa

Oxford
London
Belfast
Dublin
Frankfurt
Paris
Milan
Stockholm
Cape Town
Dubai

Americas

New York
Philadelphia
Boston
Chicago
Los Angeles
Toronto
Mexico City

Asia Pacific

Singapore
Hong Kong
Tokyo
Sydney
Melbourne

Email:
mailbox@oxfordeconomics.com

Website:
www.oxfordeconomics.com

Further contact details:
www.oxfordeconomics.com/about-us/worldwide-offices