

Support mechanism for Drax Power Station



Government support for low-carbon dispatchable generation from 2027

The Government has announced a new support mechanism for sustainable biomass generation post-2027.

From 2027, Drax and other eligible large-scale biomass generators will be supported via a low-carbon dispatchable CfD (Contract for Difference).

If approved, the plan will keep the power station running until 2031. Under this proposed agreement, Drax Power Station can step in to increase generation when there isn't enough electricity, helping to avoid the need to use more gas or import power from Europe. When there's

too much electricity on the UK grid, Drax can reduce generation, helping to balance the system.

Importantly, the mechanism will result in a net saving for consumers. [Independent analysis from Baringa](#) indicates the proposed agreement will result in a £1.6-3.1bn reduction in electricity system costs per year.

The agreement also prioritises biomass sustainability. Drax supports these developments and will continue to engage with the UK Government on the implementation of any future reporting requirements.

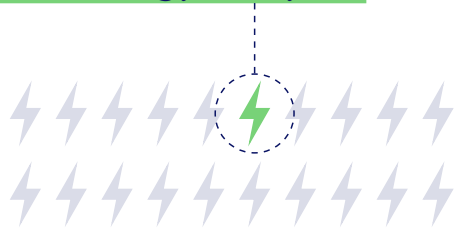


This announcement is a clear vote of confidence in Drax Power Station, and all the great people who keep the power station running smoothly.

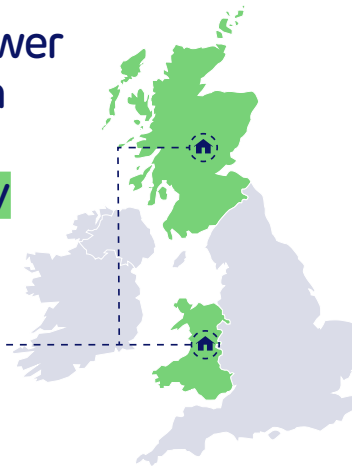
This is an investment in UK energy security. It will help keep the lights on, keep energy bills down for consumers and support a clean power system in 2030.

Will Gardiner
Drax CEO

Drax Power Station provided **5% of the UK's energy last year**



Enough power for 5 million homes – that's every home in **Scotland and Wales combined**



From 2027-2031, the proposed agreement will save consumers **between £1.6 - 3.1bn**



Analysis from Baringa 2025



The mechanism in detail

- We've agreed heads of terms with the UK Government for a low-carbon dispatchable CfD, which will support Drax Power Station post-2027.
- If approved, the support will be in place from March 2027 to March 2031, and will apply to all four units of Drax Power Station.
- The agreement will incentivise producing more energy at times of high demand, and less in times of low demand. It includes a 'collar' that will 'cap' the total amount of support provided, and require a minimum 'floor' volume of generation in winter.
- The agreement also prioritises biomass sustainability. Drax supports these developments and will continue to engage with the UK Government on the implementation of any future reporting requirements.
- The mechanism is expected to result in consumer savings of between £1.6-3.1bn.
- Read more on the support mechanism in [this Parliament link](#).

Keeping the lights on

Drax Power Station is the largest power station in the UK. In 2023, it generated 11.5TWh of renewable energy – more than any other single source. Annually, the power station provides on average 5% of the UK's energy. On gloomy, windless days, when output from wind and solar can dip dramatically, it can generate 8% of the UK's energy, with the wider biomass sector providing 10%.

Keeping costs down for billpayers

Independent analysis from Baringa expects the mechanism to result in consumer savings of between £1.6-3.1bn. In a scenario where gas prices spike similarly to levels seen in 2022, the mechanism could result in even higher savings of £2.5-4bn.

Leading the way on climate action

By displacing higher carbon thermal generation, the power station will save around 4m tonnes of CO₂e over the term - equivalent to taking an additional 375,000 petrol or diesel cars off the road. The mechanism maintains the option for Bioenergy with Carbon Capture and Storage (BECCS). With the right investment framework, this could transition the site into the world's largest carbon removal facility. Two BECCS units at Drax Power Station could remove 8Mt of carbon dioxide a year from the atmosphere, equivalent to all departing flights from Heathrow for a year.

Questions answered

What does CfD mean?

The CfD (Contract for Difference) is a government mechanism that's been supporting low-carbon electricity generation since 2014. It provides protection from volatile wholesale prices, while protecting consumers from paying increased costs when electricity prices are high.

How does the mechanism save billpayers money?

Independent analysis by Baringa shows that the mechanism implementation is expected to result in a net saving for consumers of between £1.6-3.1bn over the agreement term. This is by avoiding the need to produce additional capacity, and reducing the UK's reliance on gas and interconnectors - resulting in a lower overall wholesale price.

How does Drax Power Station support energy security?

Drax Power Station's 2.6GW of secure renewable power helps to keep the lights on in homes and businesses across the UK, during a period when electricity demand is forecast to rise significantly. Already this winter, cold and windless weather has stretched the UK's energy system, leading NESO to issue three capacity market notices and bring gas operators online to prevent blackouts.

Does biomass emit more carbon dioxide than coal?

No. Biomass is a renewable energy source, defined by the UN International Panel on Climate Change (IPCC). On a lifecycle basis, when sourced sustainably from well-managed forests, biomass represents an overall emissions reduction compared to coal. Since 2012, when Drax Power Station started its conversion from coal to sustainable biomass, we've reduced our reported generation scope 1 and 2 carbon emissions by approximately 99%.

Why are the carbon emissions from Drax counted as zero in the UK?

The UN IPCC counts carbon emissions from the combustion of biomass in the Agriculture, Forestry and Other Land-Use (AFOLU) sector in the country of origin, not the country of use. This prevents double counting, while still ensuring the full life cycle emissions – production, cultivation, harvesting, collection, transportation, and processing of biomass – are accounted for.

We report all of our own supply chain emissions in our Annual Report and ESG performance report, including biogenic emissions from the combustion of biomass in the UK.

What's Drax doing to reduce emissions from transporting biomass to the UK?

We're taking a range of actions to reduce our shipping, rail freight and wider supply chain emissions.

In 2024, we provided £1m funding to help develop new 'FastRig' technology, which will be used to help decarbonise the shipping sector. This can reduce fuel consumption and resulting emissions by up to 30% per year. We're also working with DB Cargo to switch trains supplying Drax Power Station to Hydro-treated Vegetable Oil (HVO) - estimated to reduce rail freight emissions by 90%.



Learn more at

drax.com/support-mechanism-for-dps