

# Drax Power Station Support Mechanism Agreed



Ensuring energy security for the UK, through low carbon, affordable power

The Government's support mechanism for low-carbon dispatchable generation, and the signing of a contract between Drax and the Low Carbon Contracts Company, is an investment in the UK's energy security into the 2030s. This agreement will see Drax Power Station adapt to the needs of a changing electricity system and will result in a net saving for consumers.

Drax welcomes the enhanced biomass sustainability requirements within the agreement, including that all biomass used at Drax Power Station is sustainably sourced and verified through monitoring, reporting, and verification requirements, including enhanced auditing of the biomass supply chain.

The mechanism will reduce the UK's reliance on gas and imports, support high-skilled jobs, contribute to the UK's economic growth and maintain future options at Drax Power Station including power-BECCS and a data centre as part of the York & North Yorkshire's AI Growth Zone bid.

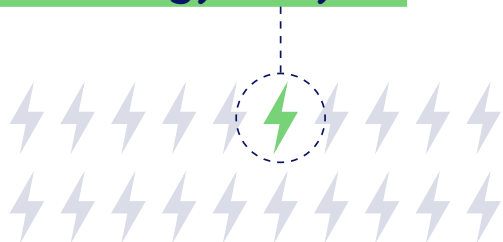
Analysis from Baringa has indicated that the mechanism is expected to result in a net saving for consumers of between £1.6-3.1bn over the term of the agreement, by avoiding the need to produce additional capacity, and reducing the UK reliance on gas and interconnectors resulting in a lower overall wholesale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



We are pleased to have agreed this new contract with the UK Government, which will support UK energy security into the 2030s and deliver a net saving for consumers compared to alternative sources of dispatchable generation.

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 agreement will save consumers **between £1.6 - 3.1bn**





## Drax & UK Government agreement

- We have finalised an agreement with Government, securing the future of Drax Power Station from March 2027 to March 2031, retaining future options for power-BECCS and data centres.
- The agreement incentivises 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.
- Sustainability is at the heart of the agreement, with stricter requirements for the reporting and verification of sustainable biomass.

### Sustainable biomass

Under the terms of the agreement, Drax will be required to demonstrate that 100% of the biomass used at Drax Power Station comes from sustainable sources. Additional requirements include enhanced verification, monitoring and reporting, including enhanced auditing of biomass supply chains. Drax welcomes these enhancements to its existing procedures, which demonstrate the Group's commitment to delivering climate, nature and people positive outcomes.

### A secure energy future

Drax Power Station currently provides the grid with enough power for 5 million homes – equivalent to every home in London, or Wales and Scotland combined.

Delivery of the Government's 2030 clean power energy targets relies heavily on larger volumes of intermittent renewables being on the UK grid. Support from power stations like Drax, which provide secure, renewable power whatever the weather, will be increasingly important to reduce the risk of shortages and blackouts.

### Saving consumers money

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

## Questions answered

### Will this agreement increase the price of electricity?

No. If approved, the support mechanism will reduce the UK's reliance on expensive gas imports, and interconnectors. With the CfD in place, independent Baringa research expects DPS to save consumers between £1.6-3.1 billion over the four-year term. If gas prices spike as they did in 2022, this saving is forecast to increase to £2.5-4 billion over the four-year period.

### How will the sustainability requirements of this agreement be properly enforced?

To qualify for support under the terms of the new agreement, Drax must demonstrate that 100% of the biomass used comes from sustainable sources. We support these developments. Our Biomass Sourcing Policy has clear commitments for governing all our biomass with sustainable sourcing principles. We're committed to sourcing biomass which doesn't lead to deforestation or degradation. And the agreement includes enhanced reporting, audit and verification for biomass and our supply chains to ensure compliance.

### Is it sustainable to ship pellets from the US to the UK?

Yes it is. We source from North America as they have sustainably managed forests, in some of the largest forestry industries in the world. This means there's an abundance of materials like sawdust, branches, low grade roundwood and off-cuts to make biomass pellets. We collect emissions data for every step within our supply chain, including the production and transportation of biomass pellets. The UK Government has strict regulations on supply chain emissions to promote sustainability. In 2024, DPS was below half the Government's threshold. And we're continuing to decarbonise our supply chain. All trains in and out of DPS run on renewable fuel derived from 100%

waste products.

And our wind-assisted shipping partnership with Smart Green Shipping could reduce fuel consumption by up to 30%.

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

The world's leading authority on climate science – the United Nations Intergovernmental Panel on Climate Change – has established best practice for the carbon accounting of biomass. In compliance with those principles, we count all our emissions, from all sources and geographies, and report them every year. We stand by the latest science and abide by UK Government regulation. Bioenergy is low carbon because the biomass it uses comes from an organic source that's continuously growing and re-absorbing CO2.

### My question hasn't been answered – how can I find out more?

We're always happy to answer your questions. We'll share as much information as we can to explain how Drax Power Station plays a critical role for UK energy security, job security and the UK's climate goals.

Click [here](#) to book a meeting directly with one of our team.



Click here to learn more at [drax.com/support-mechanism-for-dps/](https://drax.com/support-mechanism-for-dps/)