

## Investors ask Drax for clarity on Just Transition plans

**Channels:** Investors, Renewables

**Companies:** Drax, Aviva, BMO, Church of England Pensions Board, Friends Provident Foundation, Royal London Asset Management, Rathbone Brothers, Northern Local Government Pension Scheme, Local Authority Pension Fund Forum, Shareholders for Change, Pensions & Investment Research Consultants

**People:** Colin Baines

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Aviva, BMO and the Church of England Pensions Board are among investors that have asked Drax to more clearly demonstrate how it will support its workers in the energy transition, *Environmental Finance* can reveal.

A letter addressed to the electrical power generation company's CEO, Will Gardiner, asked for a meeting "to discuss Drax's net-zero and Just Transition strategy". The letter was sent in October, but has not previously been reported.

The letter shows how some investors are moving beyond asking companies to establish strategies to transition to a business model that is in line with a low-carbon economy, to urge them to clarify how these strategies take social issues such as job security into consideration.

"Drax power station currently remains the UK's largest single point source of greenhouse gas (GHG) emissions and its use of biomass and plans for gas expansion are not without controversy or risk," the letter says, noting guidance by the Intergovernmental Panel on Climate Change that say wood is more carbon intensive than coal and significantly more so than natural gas.

The letter also asks whether Drax has assessed the potential impacts of climate change-related risks and opportunities from the company's transition strategy, "for employees, workers in the supply chain, and communities affected by business activity over the short, medium and long term?"

The signatories to the letter have since toured the Drax power station, in January, when they met Drax's heads of investor relations, climate change, and sustainable business.

Other signatories to the October letter were Friends Provident Foundation, Royal London Asset Management, Rathbone Brothers, Northern Local Government Pension Scheme (NLGPS) and the UK Local Authority Pension Fund Forum. It is also signed by Shareholders for Change, which is a group of seven European investors with €22 billion (\$24 billion) in combined assets under management.

Colin Baines, investment engagement manager at Friends Provident Foundation, which is coordinating the engagement, told *Environmental Finance* the January meeting was "constructive".

The group of investor signatories "will be following up soon with further questions around some of the assumptions underlying Drax's business model and observations regarding current Just Transition risk management," he added.

A spokesman for Pensions & Investment Research Consultants, which is the responsible investment advisor to NLGPS, told *Environmental Finance* that members of Drax's management team have expressed interest in the UK chancellor's proposed support for carbon capture and storage (CCS) technology.

In his budget announcement earlier this month, Rishi Sunak revealed the creation of a new CCS Infrastructure Fund, of at least £800 million (\$994 million).

CCS "is something Drax is [already] involved in and is likely to create jobs in the region," the spokesman said.

Drax, which is the UK's largest power station and supplies about 12% of the country's renewable electricity, has repeatedly touted its low-carbon credentials, citing itself as an example of how a previously highly polluting company can help reduce the emissions intensity of a country's energy generation.

The 3.9GW power station used to run exclusively on coal, but in recent years has been converting its burners to run on wood pellets. Coal represented about 3% of Drax's power generation in 2019, down from 30% in 2016.

In December, Drax announced plans to "become a world-leading 'carbon-negative' company" by 2030. It said this would involve it removing more carbon dioxide from the atmosphere than it produces throughout its operations, by deploying bioenergy with carbon capture and storage (BECCS) technology. It currently runs a BECCS pilot at its power station.

In February, the company revealed plans to close its two remaining coal units in September 2022, which it said would result in the loss of 230 jobs at its North Yorkshire site. The move comes ahead of a UK government ban on coal-fired electricity in 2024.

UK trade union Unite said the announcement highlighted the "necessity for a Just Transition to clean energy", that does not have a negative impact on the local economy or workers.

**Michael Hurley**