

The International Supply Chain for Wood Pellets

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WoodEMA 2016
The Path Forward for Wood Products
October 6, 2016



Agenda

- Drax Group and our international supply chain
- Drax Group's US operations – Drax Biomass Inc.
- Risks and opportunities in our sector
- A look forward

Drax Group – a vertically integrated biomass energy co.



Source



Generate



Supply



Drax Power Station, pre-transformation



Drax Power today

2 units fully converted, 3rd at 85% biomass

20% of UK's renewable generation

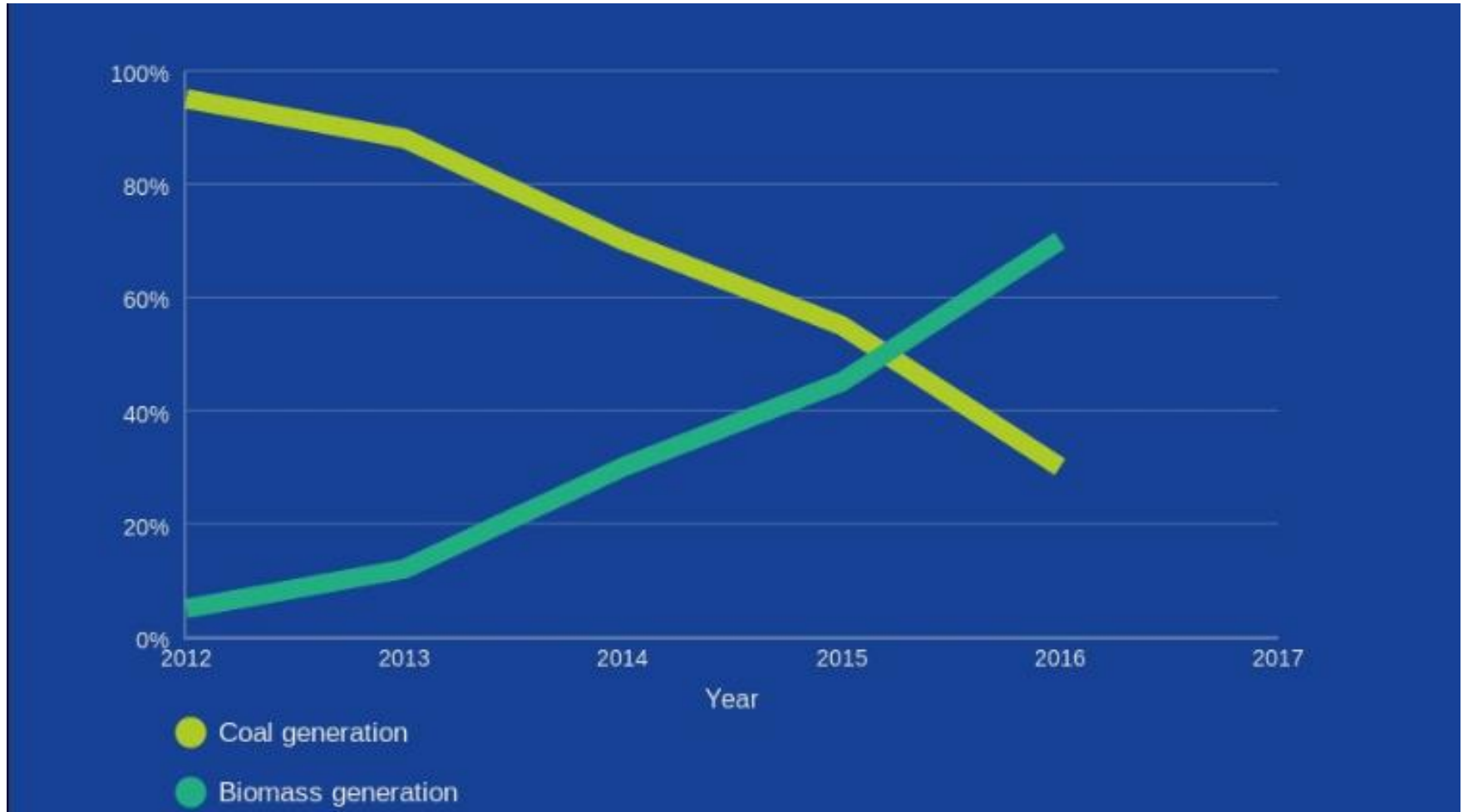
Largest decarbonisation project in W. Eur

Critical to grid stability

Drax Power today



Drax electricity generation by fuel source (2012-2016)



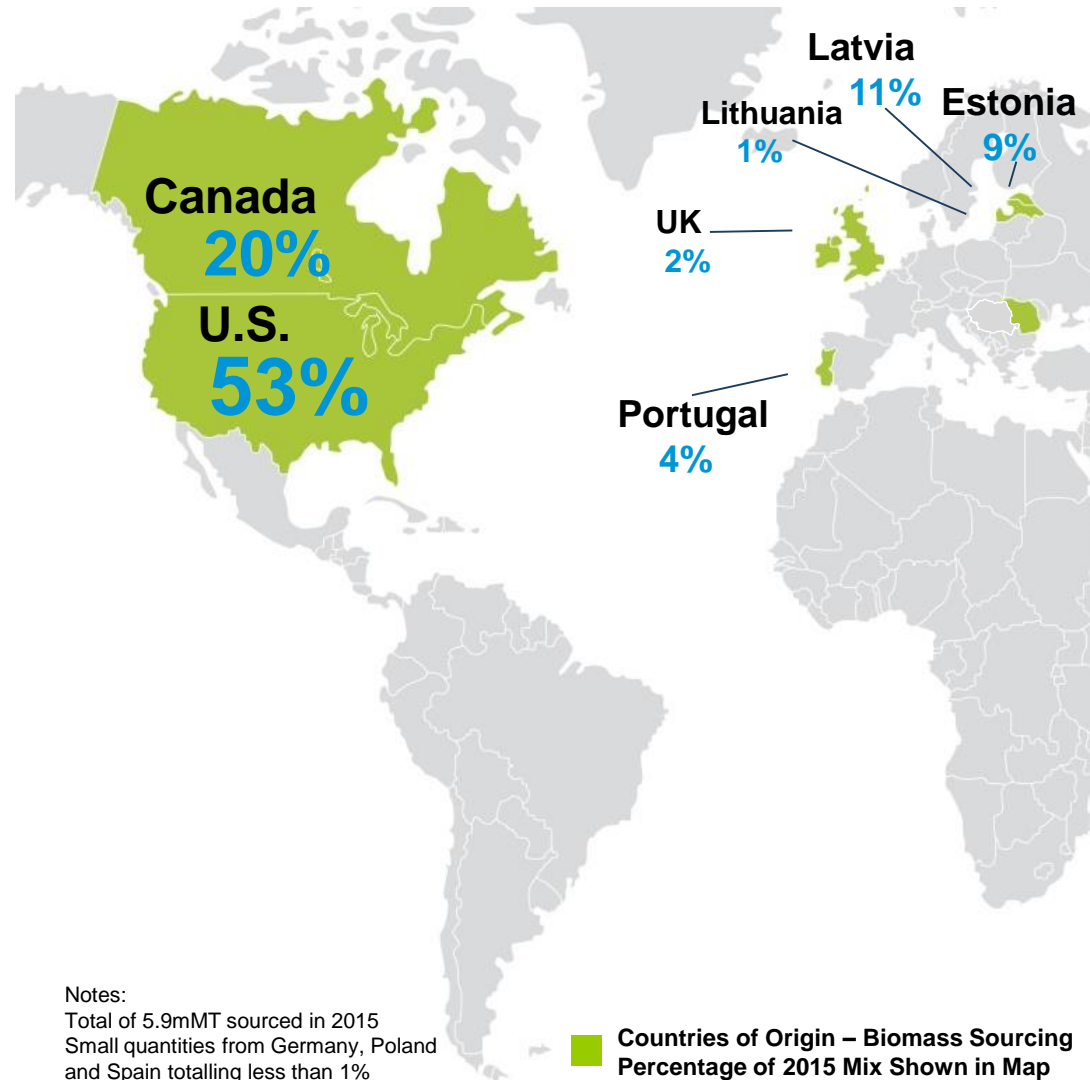
Drax Power global biomass procurement

Sourcing c7-7.5mMT annually

- Supply base spans across the globe
- Targeted anchor of long-term, secure contracts – 5-10 yr tenors
- Security of on-going supply key to Drax Power

Sustainable fiber

- Wood pellets manufactured from low-grade wood
- Sourced from sustainably managed forests
- Major carbon savings >80% vs. coal



Context matters!

- Recent level of coal imports of c **30 – 50 million tonnes** p.a. into UK (now falling)
- **489,200 GWh** of Natural Gas imported in 2015 (c 18 times Drax total generation in 2015, including coal, of 26,700 GWh)
- UK still below EU average of use of wood for energy
- UK forest harvest is just over **10 million green tonnes** of timber p.a.
- c. **12 million tonnes** of domestic pellets burned p.a. in Europe
- UK imports of wood in 2013 - **42 million m³** “wood raw material equivalent”
- US South annual harvest c. **300 million m³**, Canada c.**150 million m³**
- Global woodfuel usage – **1.8 billion m³** p.a.

Sustainability at Drax

Our principles

1

We never work in countries that lack proper regulation.

2

We never cause deforestation or forest decline.

3

We never source from areas that are officially protected or where our activities harm endangered species.

4

We only take wood from working forests that grow back and stay as forests.

5

We require all our suppliers to pass tough screening and sustainability audits, conducted by independent auditors.



Drax Biomass – US footprint



Morehouse BioEnergy

Bastrop, LA
450,000 MT/year



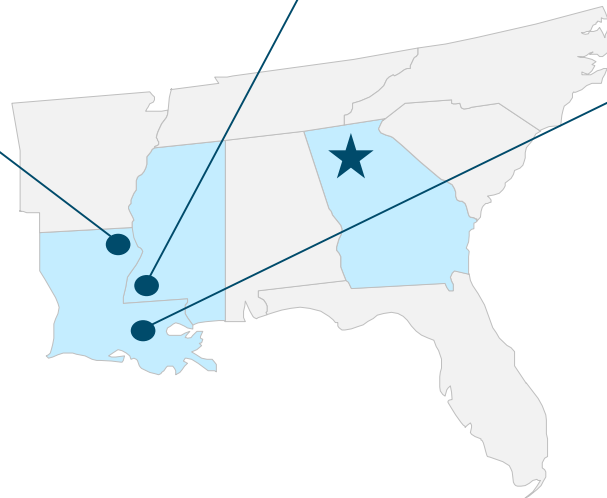
Amite BioEnergy

Gloster, MS
450,000 MT/year

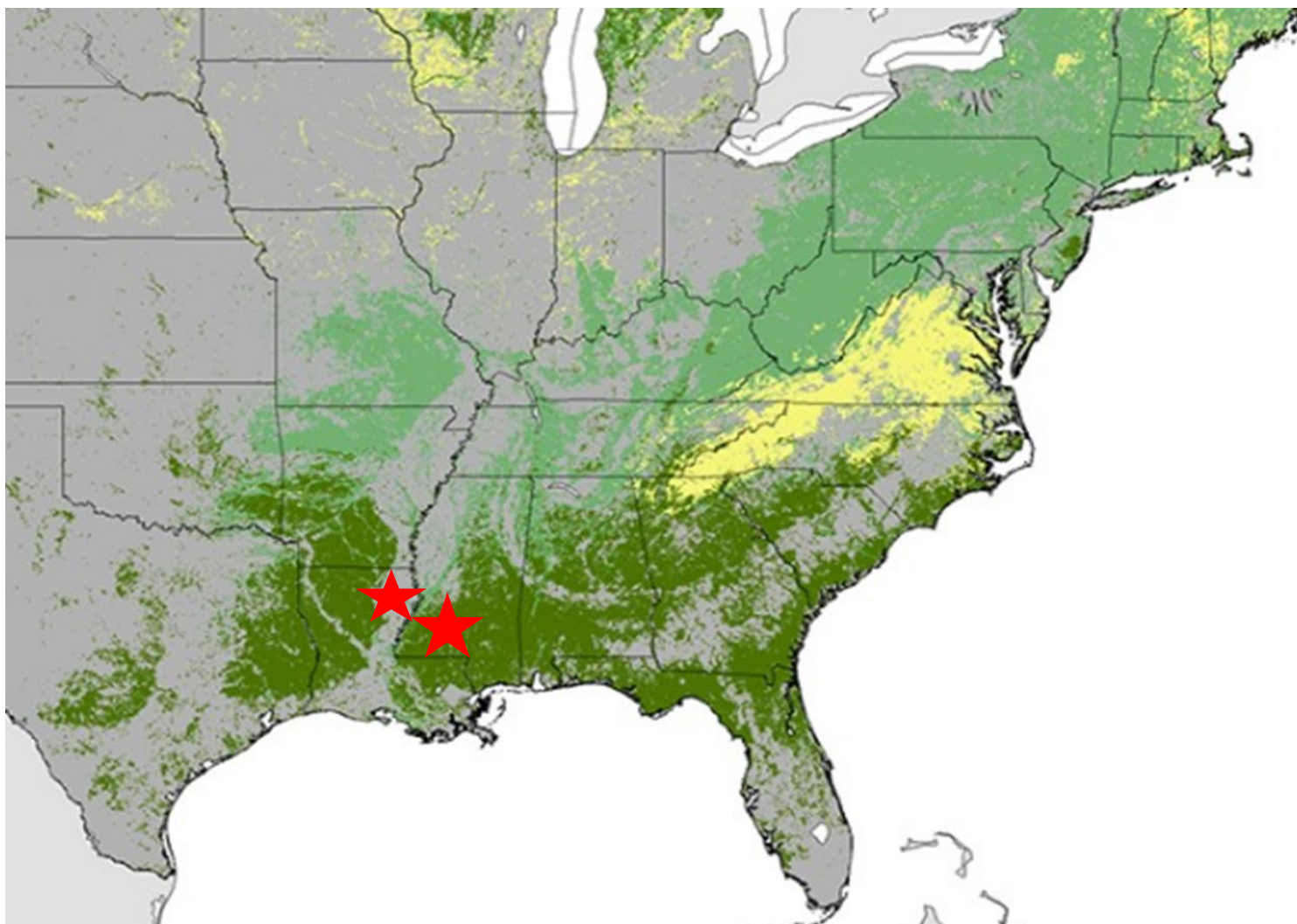


Baton Rouge Transit

Port Allen, LA
2M MT/year



Resource availability in the US South



Risks and Opportunities



UK

Mix of electricity sources



European Commission

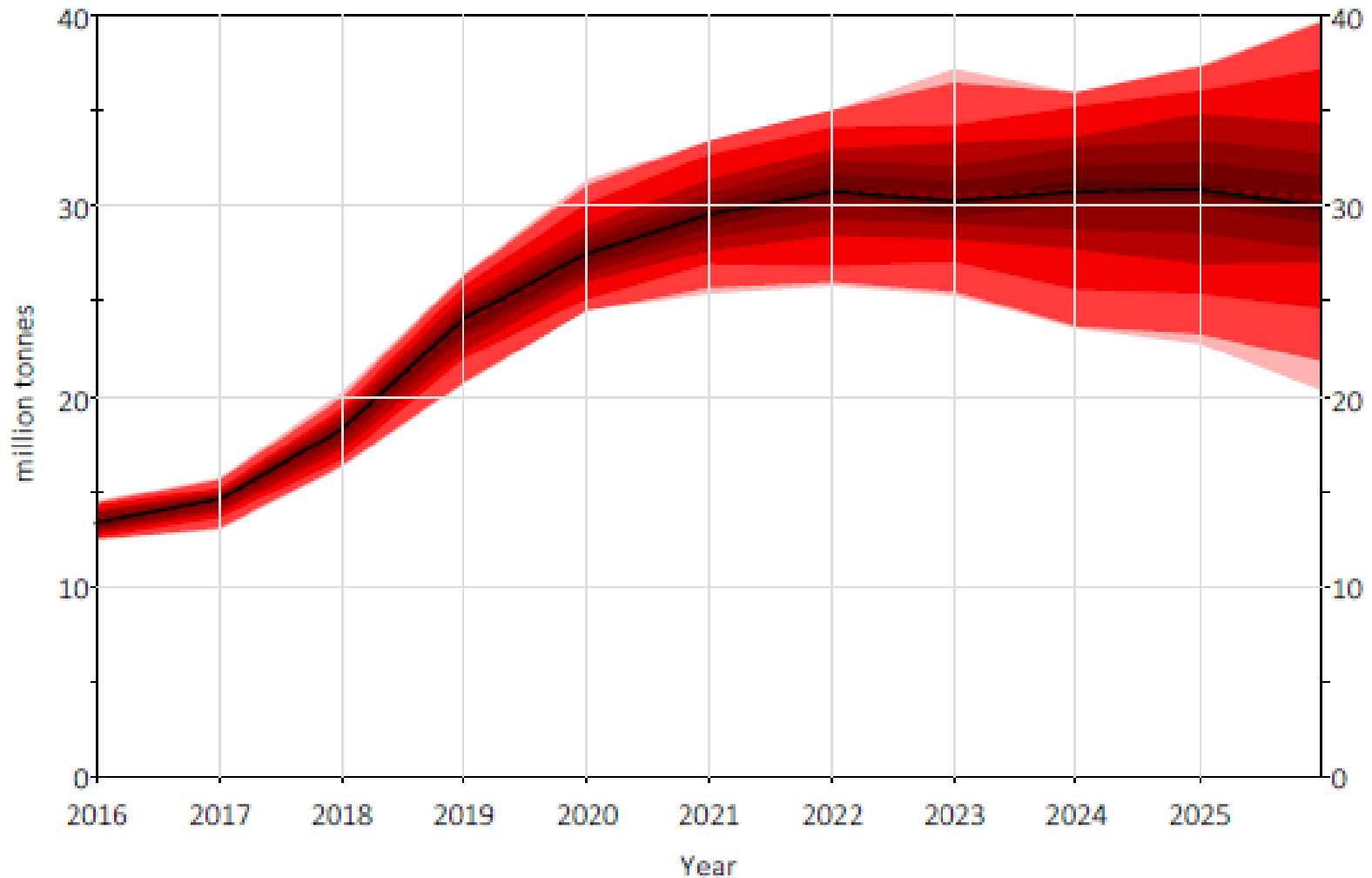
Bioenergy sustainability policy



European Union

Brexit

Global industrial pellet demand: 10-year outlook



Source: Hawkins Wright, Outlook For Wood Pellets, Q1 2016



Thank You