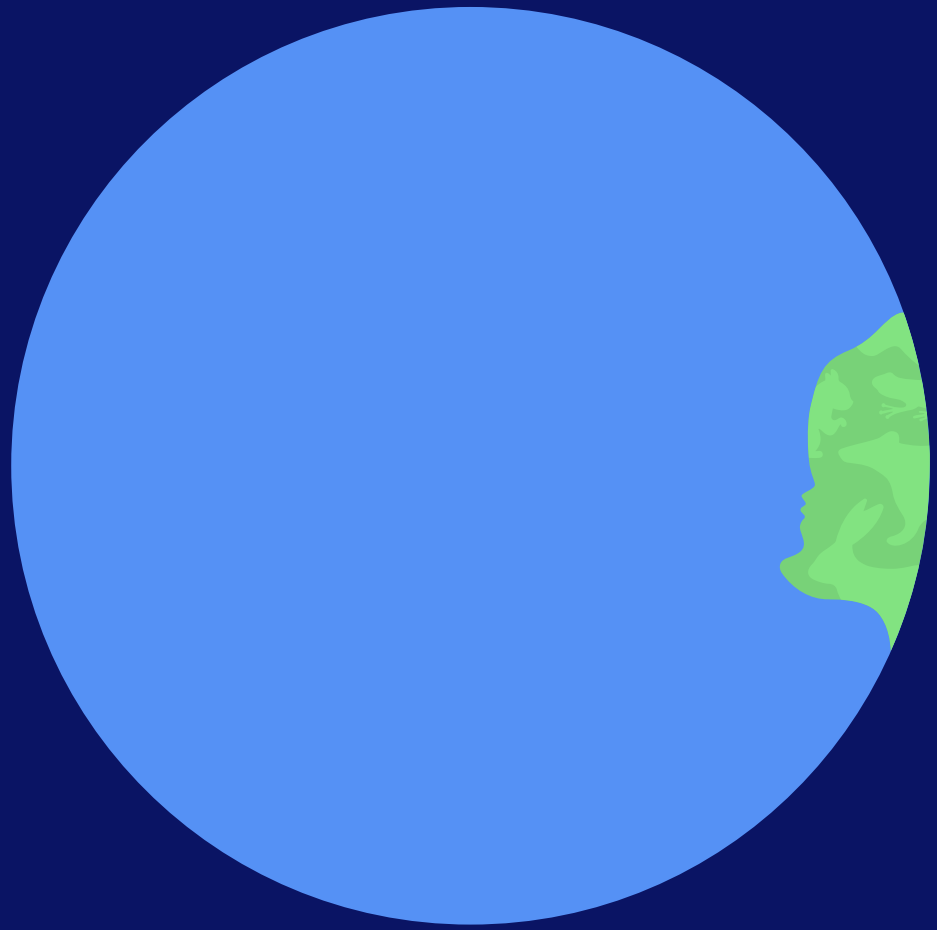
Drax Group
Capital Markets Day

May 2023



Will Gardiner:
Chief Executive Officer

Andy Skelton:
Chief Financial Officer

Dr Alan Knight:
Director of Sustainability

Jason Shipstone:
Chief Innovation Officer

Strategy Update

Will Gardiner: CEO

Our Purpose
Enabling a zero carbon, lower cost energy future

Our People
Are valued members of a winning team with a worthwhile mission

Our Ambition
To be a carbon negative company by 2030

The Three Pillars of Our Strategy

Carbon Removals

Objective 1: to be a global leader in carbon removals

Pellet Production

Objective 2: to be a global leader in sustainable biomass pellets

Dispatchable, Renewable Power

Objective 3: to be a UK leader in dispatchable, renewable generation

Underpinned by options over the use of sustainable biomass across all areas of operation

Fully integrated biomass supply chain provides opportunities to optimise and create value in multiple markets

Drax Group Today

A sustainable long-term business model leveraging on our biomass expertise and objectives aligned with climate solutions, net zero and energy security

Strategic asset base closely aligned with system needs

- Dispatchable, renewable electricity
- Security of supply
- A route to carbon removals

Proven financial and operational performance

- A track record of generating strong free cash flows from our strategic asset base

Attractive portfolio of investments opportunities aligned with system needs

- BECCS, biomass supply chain and dispatchable generation

Capital allocation policy

- A policy which supports investment in the existing asset base, growth and additional returns to shareholders

Strategic Asset Base Closely Aligned With System Needs – UK

Drax is UK's largest source of renewable energy by output

- 4% of total annual power generation
- 11% of total annual renewable generation
- Up to 70% of in-day peak renewable generation

Drax is a UK leader in dispatchable generation – 3.1GW of capacity

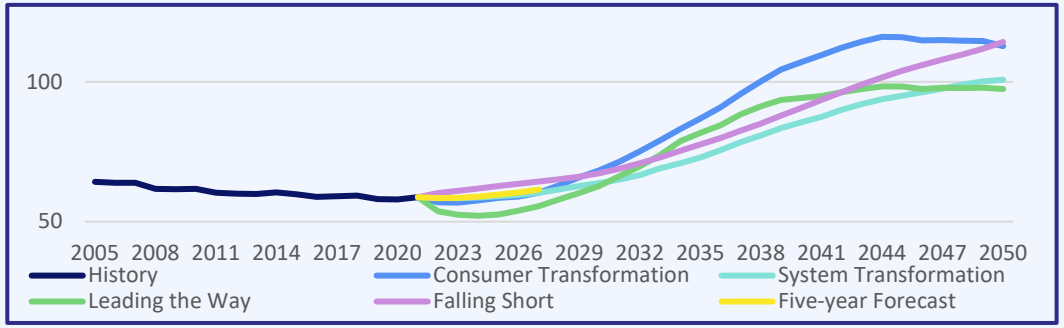
- Growth in wind, solar and nuclear = intermittency, inflexibility and volatility = greater role for dispatchable assets = opportunity for value

Drax security of supply – underpinned by integrated supply chain

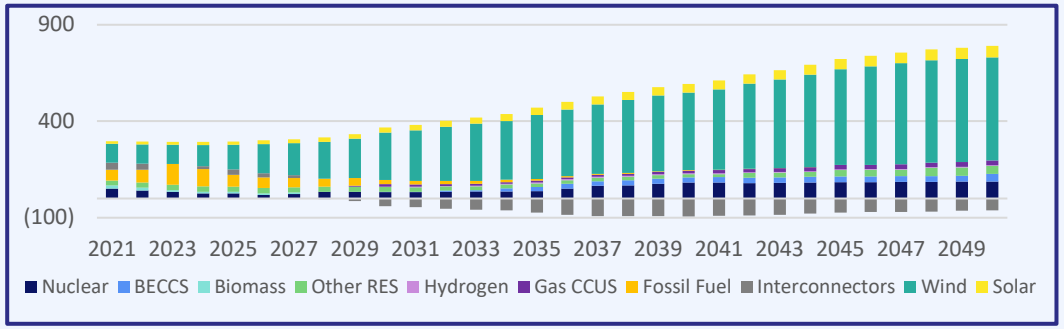
Multiple earnings opportunities

- Forward power sales up to two years in advance
- Index-linked renewable incentive schemes
- System support services via power markets, balancing mechanism and ancillary services
- Capacity payments

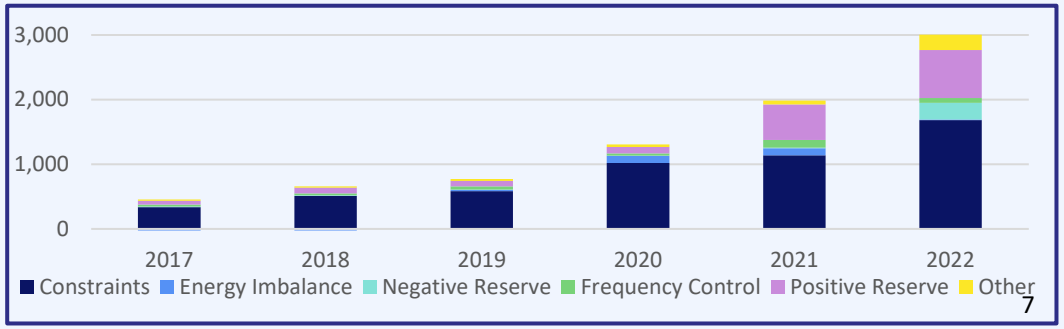
Significant increase in demand – peaks (TWh)



Increase in intermittent and inflexible generation capacity (TWh)



Growing value from system support services – BSUoS (£m)



Sources: National Grid Future Energy Scenarios and system support service data

A Differentiated Supply Chain Model

As a producer, user and supplier of biomass, Drax has multiple sales channels for the biomass in its integrated supply chain, leading to value creation, growth and innovation opportunities, protecting margins and maximising value from biomass

Growing global demand for sustainable biomass and new markets

- Markets today – generation and heating
- Future growth from BECCS and other industrial processes

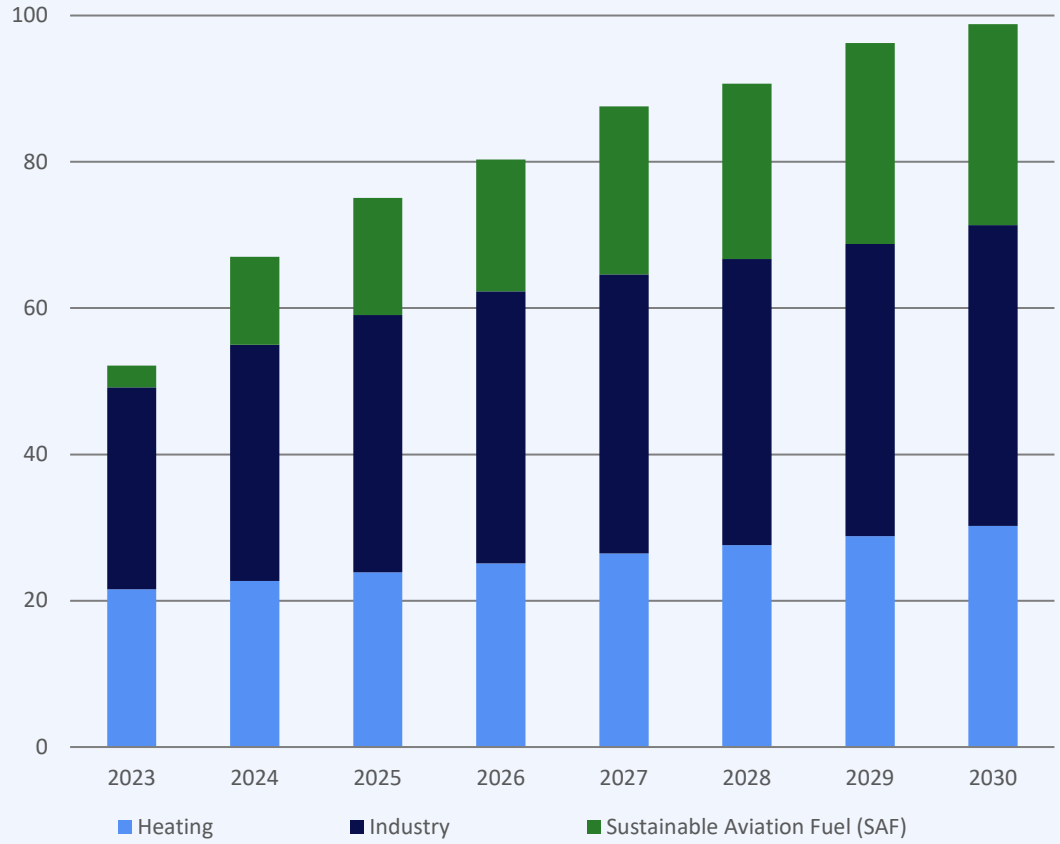
Use-or-sell options across three biomass models

- Sales to third parties
- Own-use power generation
- Own-use BECCS

World's second largest producer of biomass

- 5Mt of capacity across 18 operational and development plants with access to 5 deep-water ports and 4 major fibre baskets
- 20 years of biomass innovation and expertise
- Expertise in biomass sourcing, power generation and supply chain operations
- Security of supply – a proven and reliable supply chain
- Backed up by own-use demand in generation

Potential doubling of growth in global biomass markets through 2030 (Mt)



Sources: Hawkins Wright (Q1 2023), Future Metrics (Aug 2022), Argus (April 2023)

Proven Financial Performance

Adjusted EBITDA[1] Growth (£m)

11% average annual increase in dividend per share since 2017 (p/share)

£2.3bn of cash generated from operations 2017 – 2022

c.£600m of returns to shareholders 2017 – 2023 – dividends and buybacks[2]

1) Earnings before interest, tax, depreciation, amortisation, excluding the impact of exceptional items and certain remeasurements. Excludes the Electricity Generator Levy.
2) Includes £150 million share buyback announced April 2023.

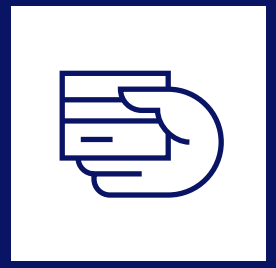
Attractive Opportunities to Invest For Long-term Growth

Strategic investments aligned with climate solutions, net zero and energy security
Attractive opportunities for long-term growth and positive climate, nature and people outcomes

Carbon removals	**Ambition for >20Mt of carbon removals via BECCS – 14Mt pa by 2030** • 2 sites selected and moving to option in US South – targeting c.6Mt by 2030 • Evaluating 9 additional sites in US for greenfield and brownfield BECCS • Development of option for CCS on a pellet plant – targeting FID in 2024/25, commissioning in 2026 • MoUs agreed for sale of >2Mt • 8Mt of carbon removals at Drax Power Station by 2030
Biomass pellet supply	**Targeting 8Mt of production capacity by 2030** • c.5Mt of current production capacity • 18 fully operational pellet plants plus developments across three major fibre baskets and five ports • c.2.5Mt of new capacity, plus 0.6Mt in development • Continue to target 4Mt of sales to third parties by 2030
Dispatchable, renewable generation	**Increased value from pumped storage and option for 600MW expansion of Cruachan by 2030** • Multiple earnings sources aligned with system needs • Underpinned by long-term earnings stability via a cap and floor mechanism **Construction of 3 new 299MW Open Cycle Gas Turbine plants at sites in England and Wales**

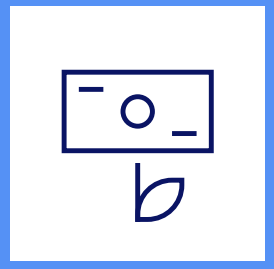
A Clear Capital Allocation Policy

Implemented in 2017, designed to support strategy

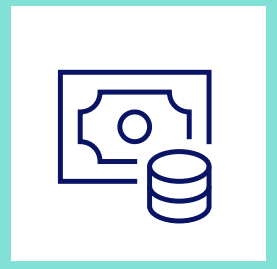


1. Maintain credit rating

2. Invest in core business



3. Sustainable and growing dividend



4. Return surplus capital beyond investment requirements

A global leader in carbon removals

Global net zero and 1.5°C strategies will require carbon removal technologies
BECCS, DACS and afforestation

Drax is developing a pipeline of project options in North America and the UK to provide long-term, large-scale carbon removals and create attractive investment opportunities for the Group
Ambition for >20Mt of carbon removals via BECCS

US Inflation Reduction Act is creating an enlarged investment opportunity for BECCS

Global Need for Action to Address Climate Change

Over 190 countries have confirmed their commitment to a 1.5°C pathway, to avoid the disproportionate impacts of a 2°C world

Countries / parties committed[1] to Paris agreement

Examples of impact of 2°C vs. 1.5°C

56%
higher sea level rise

50%
decrease in crop yields

Probability of permanent irreversible warming
due to risk of collapse of Greenland Glacier and loss of Artic summer sea ice

> Every extra bit of warming matters, especially since warming of 1.5°C or higher increases the risk associated with long-lasting or irreversible changes, such as the loss of some ecosystems

Hans-Otto Pörtner
Co-Chair of IPCC Working Group II

> Limiting global warming to 1.5°C compared with 2°C would reduce challenging impacts on ecosystems, human health and well-being, making it easier to achieve the United Nations Sustainable Development Goals

Priyardarshi Shukla
Co-Chair of IPCC Working Group III

1) Countries that have either ratified, accepted, or acceded the Paris agreement (April 2022).

Source: UNFCCC, UNTC, IPCC, Coalition for Negative Emissions

Scientific Support

Reputable scientific and industry groups agree that significant levels of removals are required

All pathways that limit warming to 1.5°C or 2°C involve substantial levels of carbon removal (Carbon Dioxide Removal – CDR) between 2020 and 2100, ranging from **450 to 1,100bn tonnes of CO_2**

Urgent and ambitious action is needed for deep GHG emissions cuts

CDR will be necessary to achieve net-negative CO_2 emissions for mitigating climate change. **Globally between 0.5-9.5bn tonnes of CDRs via BECCS will be required**

Even with rapid investment in emission reductions, the **United States could need to remove about 2bn tonnes** of CO_2 per year by midcentury to reach net zero

10–20bn tonnes of CO_2 removals needed every year if we are to keep warming below Paris Agreement thresholds

Sustainable Development Scenario **requires BECCS and DAC to remove c.3bn tonnes of CO_2 in 2070**

Government Support for Carbon Removals is Increasing

Inflation Reduction Act (IRA) and Bipartisan Infrastructure Bill – $369bn funding package for climate and green energy policies

- 45Q tax credit valued at $85/t of CO_2 captured through BECCS
- Other tax credits aimed at renewable power generation, Sustainable Aviation Fuel (SAF) and hydrogen
- $40bn loan fund for projects which utilise innovative technology to reduce, avoid or sequester carbon
- $26bn Greenhouse Gas Reduction fund
- $3.5bn DAC Hub funding
- $140m – competitive purchasing programme for carbon removals
- Local incentives for clean energy technologies – including Louisiana, Massachusetts and California

C$80bn in clean technology over next 10 years, including C$25bn for clean electricity investment

- Clean Electricity Investment tax credit – 15% refundable tax credit for eligible investments
- 50% for BECCS investment tax credit for capital invested in CCUS projects
- Carbon price to reach C$170/t CO_2 in 2030
- Clean Energy Standard being developed
- Carbon removal goal – at least 15Mt annually

Green Deal Industrial Plan and Member State support for BECCS

- €250bn for clean energy manufacturing and investment support schemes for production of strategic net zero technologies
- EU carbon removal certification proposal and CCS strategy being discussed
- Sweden – new BECCS support scheme, c.£90-150/t
- Germany – €120m per year funding for CDR development
- France, Belgium, Hungary and Denmark all include BECCS as part of their net zero strategies

Rest of world

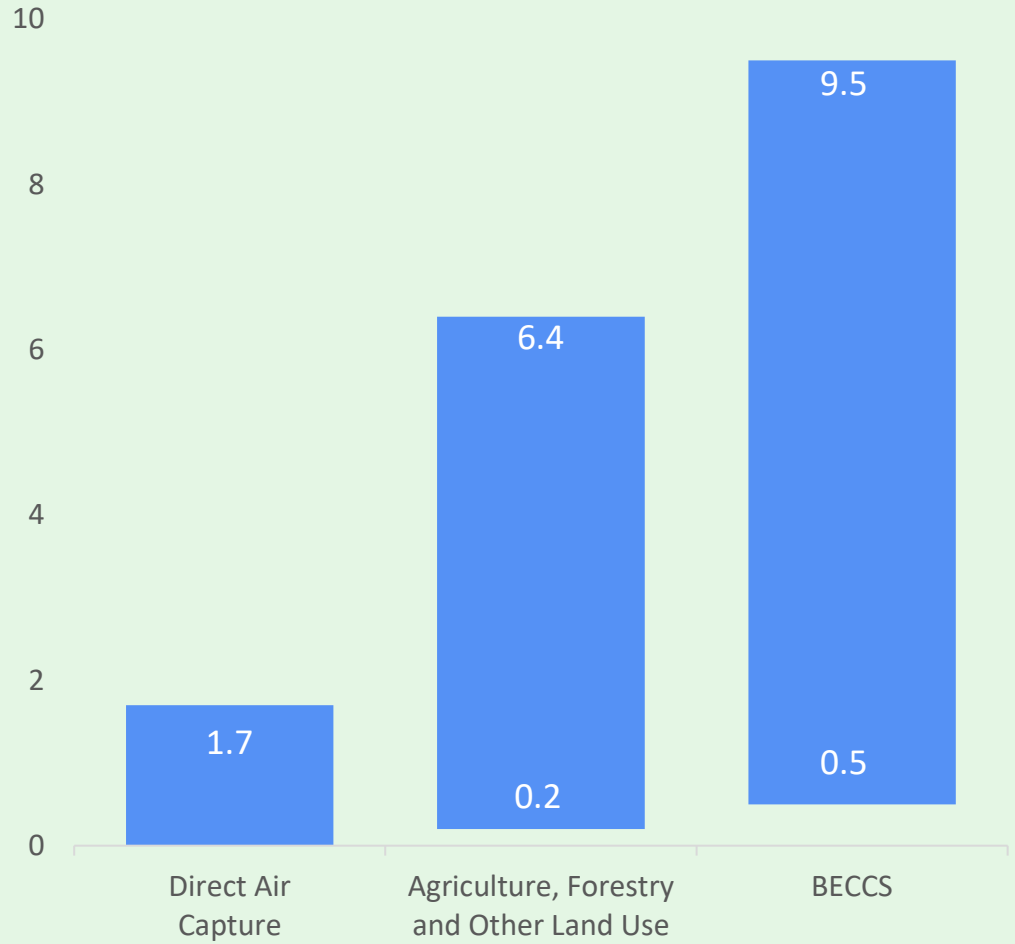
- UK – £20bn CCS investment programme over 20 years
- Japan – Green Transformation Programme to mobilise $1.1trillion in public-private investment over next ten years, including a carbon pricing mechanism, committed to 6-12Mt of CCS per year by 2030
- Indonesia – target to deliver 23GW of BECCS by 2050
- Asia Zero Emission Community, 11 countries including Australia, Indonesia and Japan, formed to create pathways to enable decarbonisation

Intergovernmental Panel on Climate Change

Up to 9.5bn billion tonnes of carbon removals per year from BECCS by 2050 required to maintain a 1.5°C pathway

- Reaching net zero requires reductions in CO_2, methane, and other GHG emissions, and implies net-negative CO_2 emissions
- CDR will be necessary to achieve net-negative CO_2 emissions
- If warming exceeds 1.5°C, it could gradually be reduced by achieving and sustaining net negative global CO_2 emissions
- The larger the overshoot, the more net negative CO_2 emissions would be needed to return to 1.5°C

Global annual CDR volumes range in 2050 (billion tonnes)



Sources: IPCC Sixth Assessment Report, Coalition for Negative Emissions website

BECCS is Happening Now But More Supply is Required to Meet Climate Need

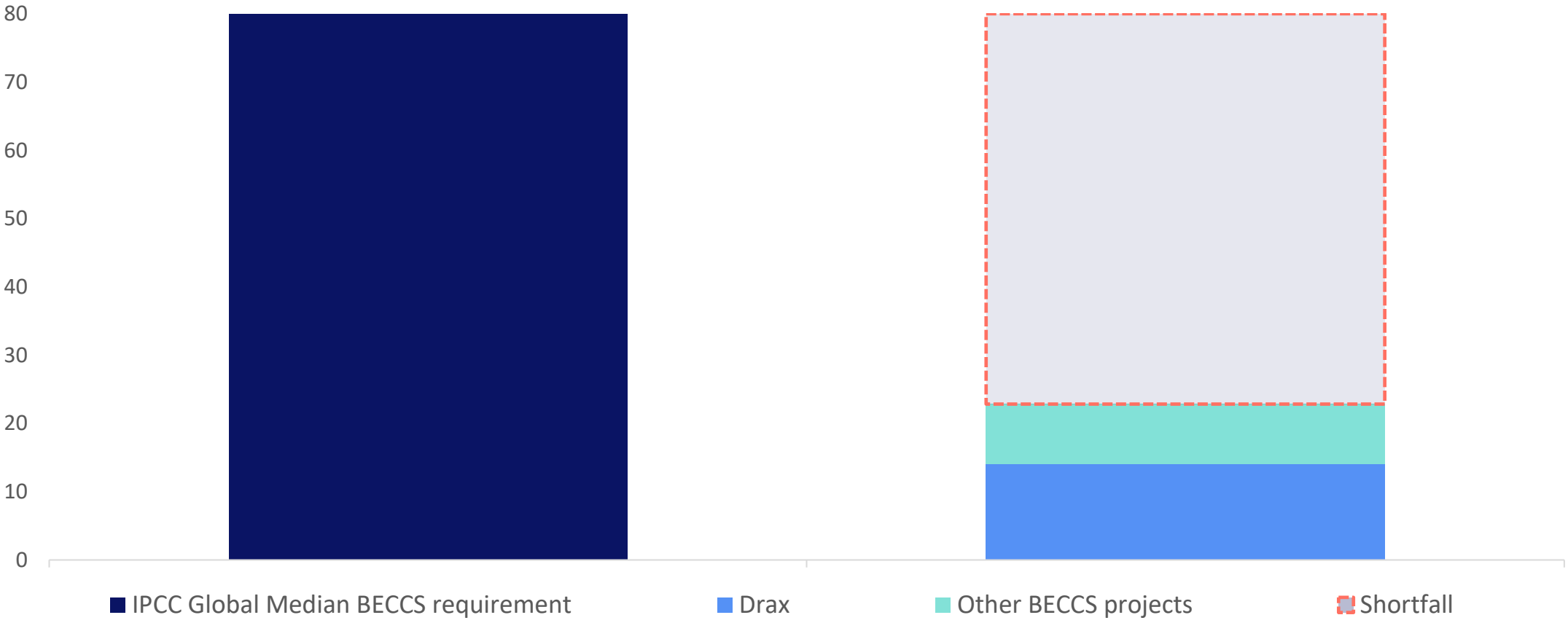
IPCC – annual median BECCS requirement of 80Mt by 2030

- Rising to 2,750Mt by 2050

Over 20Mt of global BECCS capacity in development for 2030

- Including 14Mt from Drax

IPCC annual median BECCS requirements vs. projects in development for 2030 (Mt)



Source: IPCC

Source: Company announcements, annual reports, news articles, public databases

Need for High-quality, Permanent Removals Should Support Robust Pricing

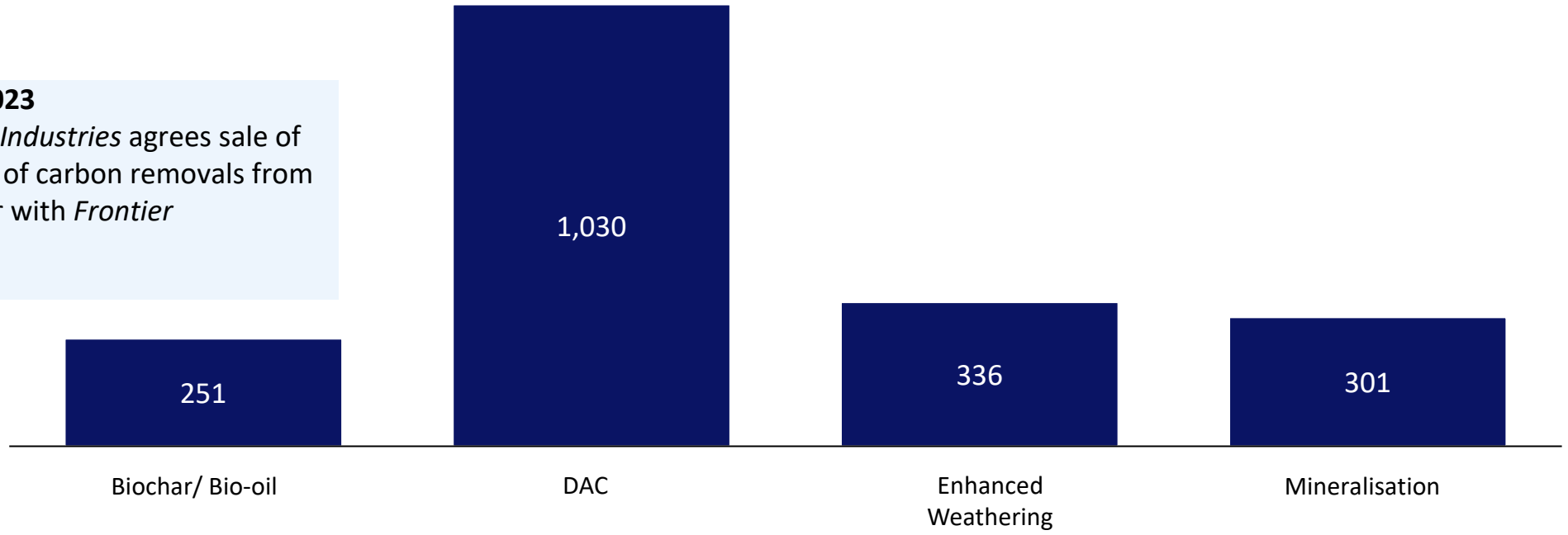
Public prices of high-quality, permanent engineered CDRs are significantly higher than Natural Climate Solutions

Characteristics of permanent engineered CDRs support robust pricing

- Additional, permanent, quantifiable and sustainable

Average price of CDR deals announced publicly, $/tCO$_2$[1/2]

May 2023
Charm Industries agrees sale of >112kt of carbon removals from biochar with *Frontier*
$53m



1. Based on all deals publicly announced (2020 – 2023).
2. Average price calculated based on number of deals with price per tonnes disclosed. Volumes are summed across all deals with volume disclosed. Some deals disclose volume and not price.

Source: Carbon Removals 360 Tracker, Ecosystem Marketplace, McKinsey analysis of public news sources

Drax Current Ambition for >20Mt pa of Carbon Removals

	2023	2024	2025	2026	2027	2028	2029-31	Mt pa
CCS on a pellet plant (US)	Pre-FEED/ FEED	FEED/ FID	FID/ construction	Commissioning	**Operation**			**c.0.1Mt**
Two new-build plants (US)	Development of site options	Pre-FEED	FEED	FID	Construction	Construction	**Operations**	**c.6Mt**
Drax Power Station (UK)	Bilateral discussion with UK Government						**Operations**	**c.8Mt**
Continued evaluation of North America and global pipeline	→							**>6Mt**

Status of UK BECCS

UK Government

Supportive of deployment of Power-BECCS by 2030

5MtCO$_2$ of carbon removals by 2030 (and 23MtCO$_2$ in 2035)

- Business model to support Power-BECCS under development

Powering-Up Britain announcement (March 2023)

- Drax one of two successful BECCS projects shortlisted
- Track-1 expansion process announced
- Track-2 process launched for projects expected to commission by 2030
- Work closely with biomass generators to facilitate transition to BECCS

Further announcements in 2023

- Biomass Strategy – expected to outline the role of power-BECCS, deployment ambitions, and sustainability criteria (June 2023)
- Track-1 Expansion detail
- Track-1 Expansion and Track-2 funding envelope
- Carbon removals consultation response

Drax

Committed to deployment of two BECCS units at Drax Power Station between 2027 and 2030

Targeting clarity on UK BECCS programme in 2023

- Formal bilateral engagement with UK Government commenced

'Bridging mechanism'

- Engage with Government on the need for a mechanism to support Drax Power Station from 2027 and the commissioning of BECCS

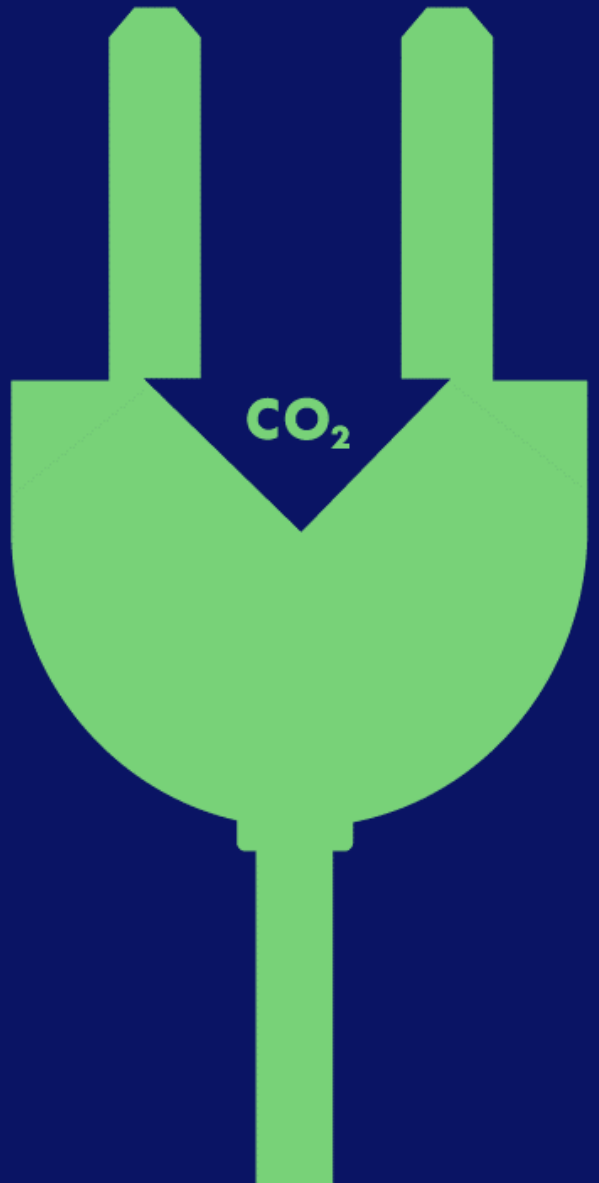
Power-BECCS business model

- Develop heads of terms for the model in 2023 and aim to enter contract negotiations following this

drax

Carbon Dioxide Removals

Jason Shipstone: Chief Innovation Officer
& Global BECCS Program Director



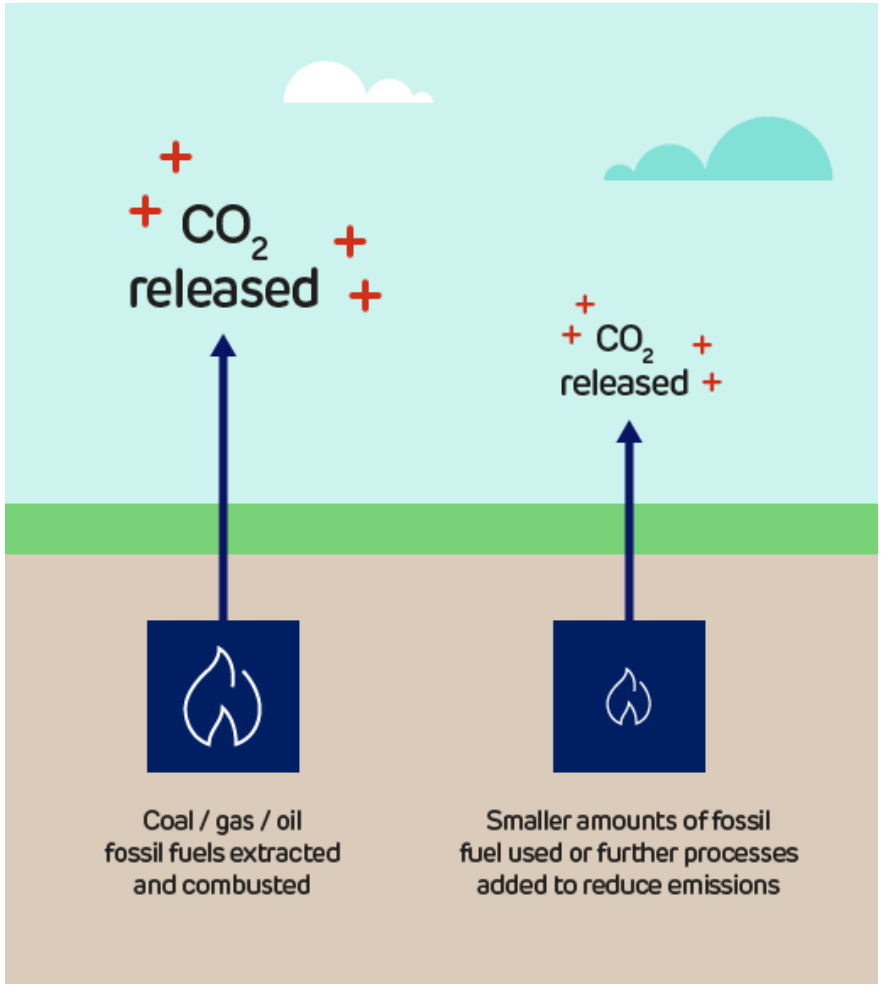
Compelling science-led case on the need for carbon removals now

IPCC and other science-led organisations informing policy and the investment case

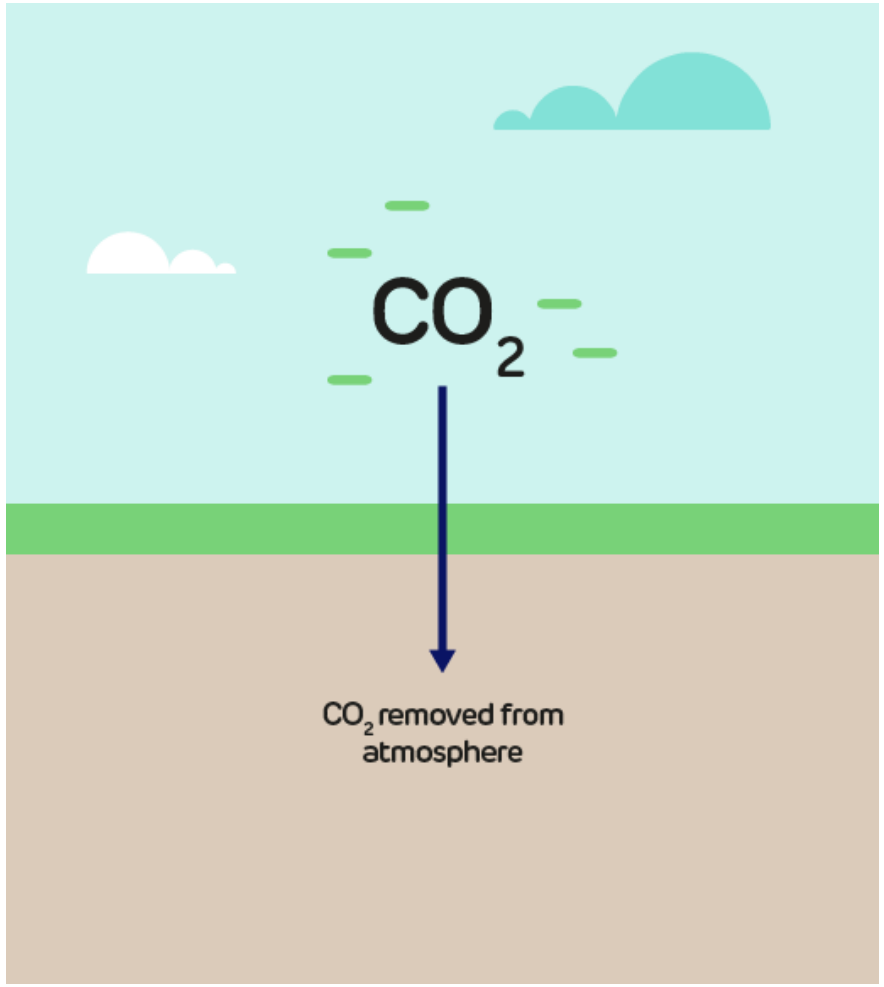
Carbon Reduction vs. Carbon Removal

Early deployment of CO_2 removals required to achieve net zero by 2050

Carbon reduction



Carbon removal



Why BECCS is a Source of Carbon Removal

CO_2 is absorbed from the atmosphere as tree grows

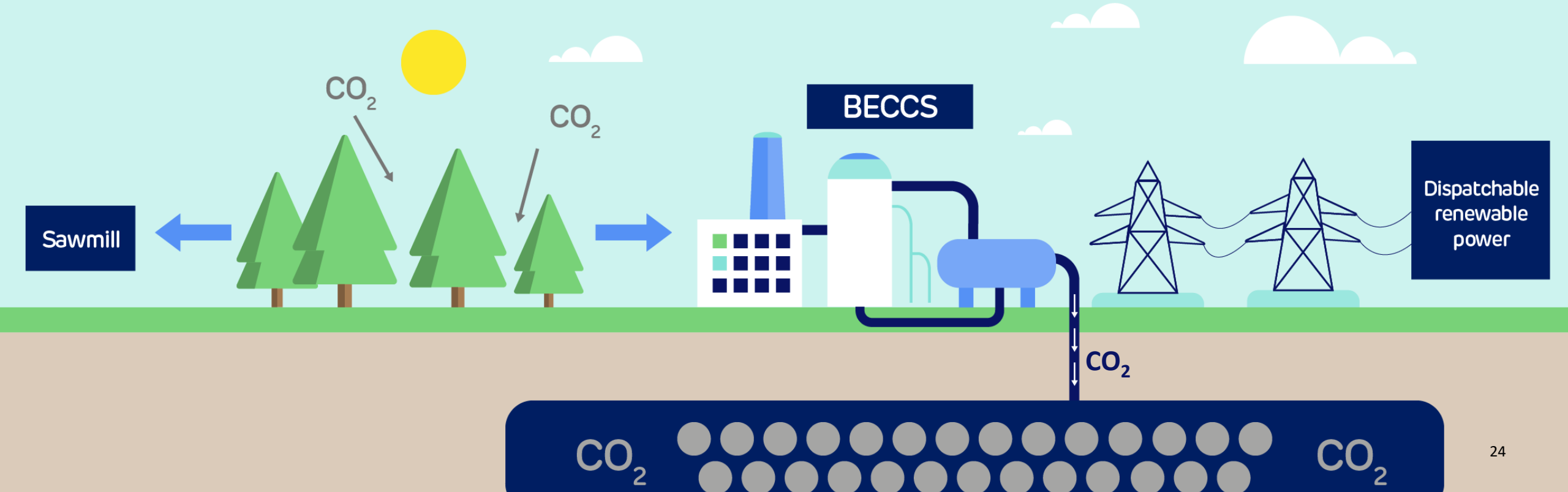
A healthy, managed forest is an active carbon absorber

Sustainable sourcing is key

- Responsible sourcing policy, supply chain audit and carbon accounting

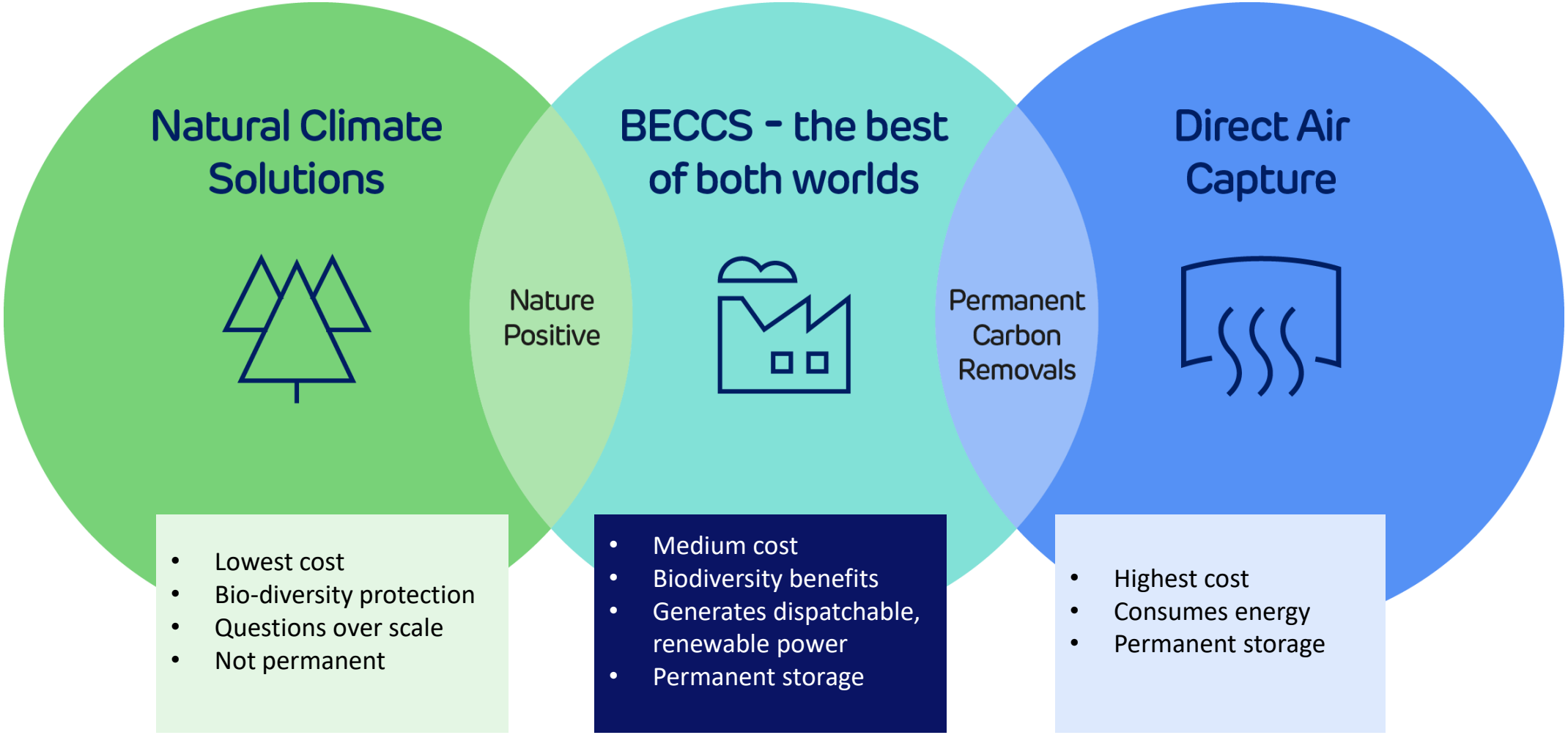
The BECCS process separates and permanently stores CO_2 underground

24/7 dispatchable, renewable power



Technologies for Carbon Removals

Achieving net zero will require the deployment of a full range of technologies



Benefits of BECCS

Permanent

Permanently stores CO_2 in geological sites

Impact

Efficient removal of CO_2

Active management reduces risk of disease and wildfire losses and economic returns incentivise forest retention and investment

Scalable

Gigatonne scalability

Sustainable biomass available to support BECCS globally

New-build

Repurpose existing industrial assets

Cost-competitive

Lower cost versus other engineered solutions

Even at scale, BECCS should remain cheaper than other engineered removals

Tech-ready

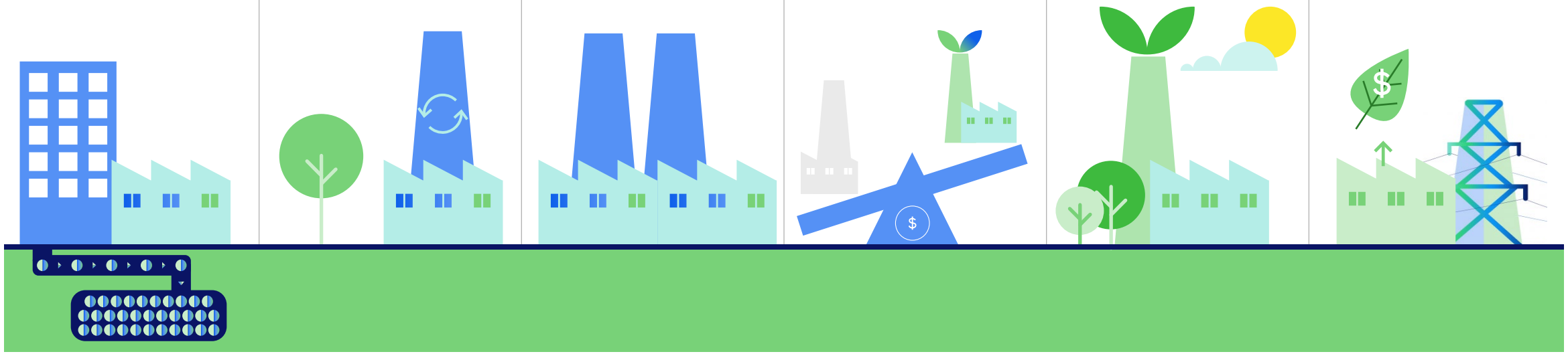
Proven technology

Proven technology both in terms of biomass usage as a sustainable resource for power generation, and permanent carbon capture and storage

Green co-products

Meet demand for baseload renewables and zero carbon products

Power-BECCS generates renewable baseload electricity to meet the rising demand for renewable power; BECCS on industry also enables third-party co-products



How BECCS Works

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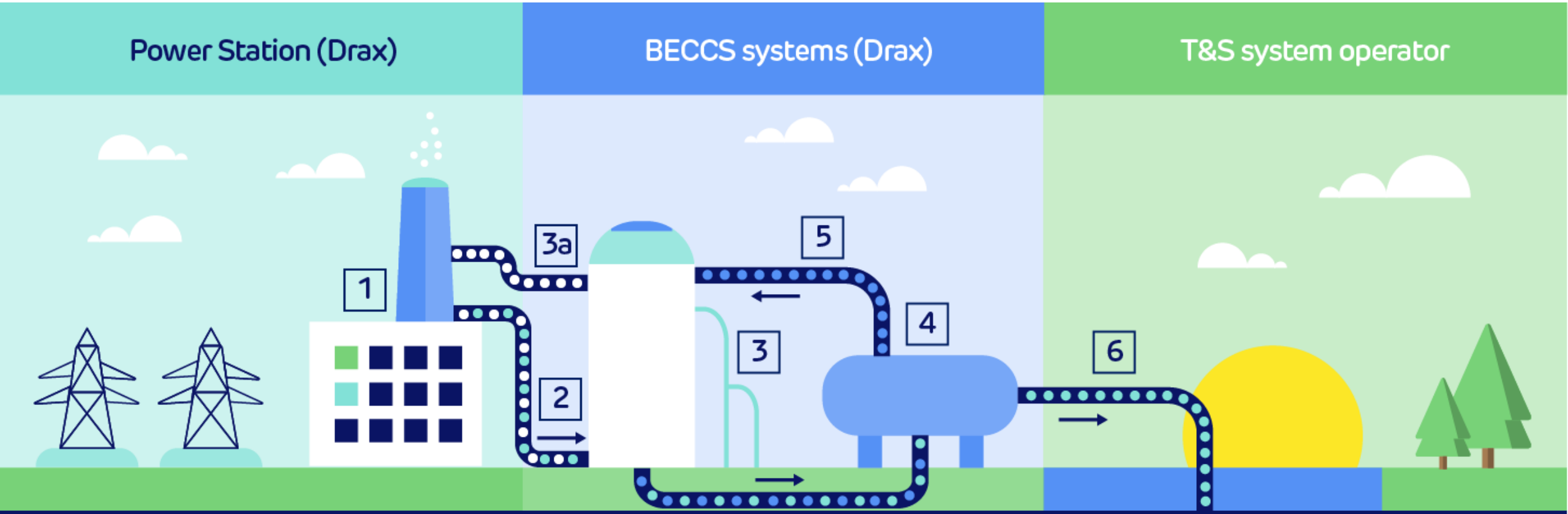
Post-combustion capture on existing biomass generation units and solvent treatment of CO_2



KEY

- Flue gas
- CO_2
- Solvent

1. Flue gas containing CO_2 leaves the power production process
2. The flue gas is cooled and treated before entering an absorber tower
3. Inside the absorber tower, a chemical reaction takes place which extracts CO_2 from the flue gas. CO_2-depleted flue gas is released into the atmosphere (3a)
4. The solvent containing the CO_2 is heated in a re-boiler, which reverses the chemical reaction separating the CO_2 from the solvent
5. The solvent is then re-circulated back into the carbon capture system
6. The now pure stream of CO_2 is transported via pipeline for permanent storage underground, under the ocean or sea

Carbon Removals, Renewable Electricity and System Support Services

BECCS is the only non-fossil technology to offer the full suite of system services – enabling the integration of intermittent renewables while dispatchable fossil plant diminishes

SYSTEM SERVICES	BECCS	GAS CCS	NUCLEAR	WIND	SOLAR	BATTERIES	INTER-CONNECTOR
Carbon removals	YES	NO	NO	NO	NO	NO	NO
Clean electricity	YES	PARTIAL	YES	YES	YES	PARTIAL	PARTIAL
Controllable / Dispatchable	YES	YES	NO	PARTIAL	PARTIAL	YES	YES
Inertia	YES	YES	YES	NO	NO	NO	NO
Dynamic response	YES	YES	NO	PARTIAL	NO	YES	YES
Reserve	YES	YES	NO	PARTIAL	NO	YES	YES
Reactive Power	YES	YES	YES	PARTIAL	NO	YES	YES
Black Start	YES	YES	PARTIAL	NO	NO	NO	YES

Technology Risks

Proven technologies and a biomass supply chain demonstrated over c.20 years

Bioenergy (BE)

- Use of biomass for generation since 2004
- Operator of world's largest biomass power station
- Operator of world's second largest pellet production business
- New-build BECCS can simplify supply chain even further

Carbon Capture (CC)

- Multiple reference plants capturing CO_2 globally, including reference plants at >1Mt capture pa
- Drax Power Station project will utilise Mitsubishi Heavy Industries (MHI) advanced amine technology
- >6,000 hours of testing has proven the chemistry

Storage (S)

- Targeting areas with well-mapped geologies

Common Questions

Is BECCS an efficient capture process?

- BECCS is one of the most efficient technologies for large scale carbon removals
- Advanced amine technology – capture rate of around 95%

Retrofitting BECCS means the loss of thermal efficiency?

- The energy consumed in a BECCS plant is used for the production of two products (1) renewable power and (2) carbon removals – it is not lost

Does BECCS lead to a higher level of SOx and NOx emissions?

- Biomass is already a low sulphur
- SOx in the flue gas is treated and removed in the quench column before the flue gas is passed through the CO_2 absorber
- NOx is controlled in the power island and reduced further as part of the carbon capture cycle

BECCS is unproven?

- The post combustion technology we plan to use has been proven at scale and is deployed on numerous sites globally
- >6,000 hours of testing of solvent on live flue gas at Drax Power Station over the last two years

BECCS will lead to unsustainable fibre consumption?

- We have a responsible sourcing policy, which supplements national and regional regulations mitigating this risk

Development of BECCS at Drax Power Station

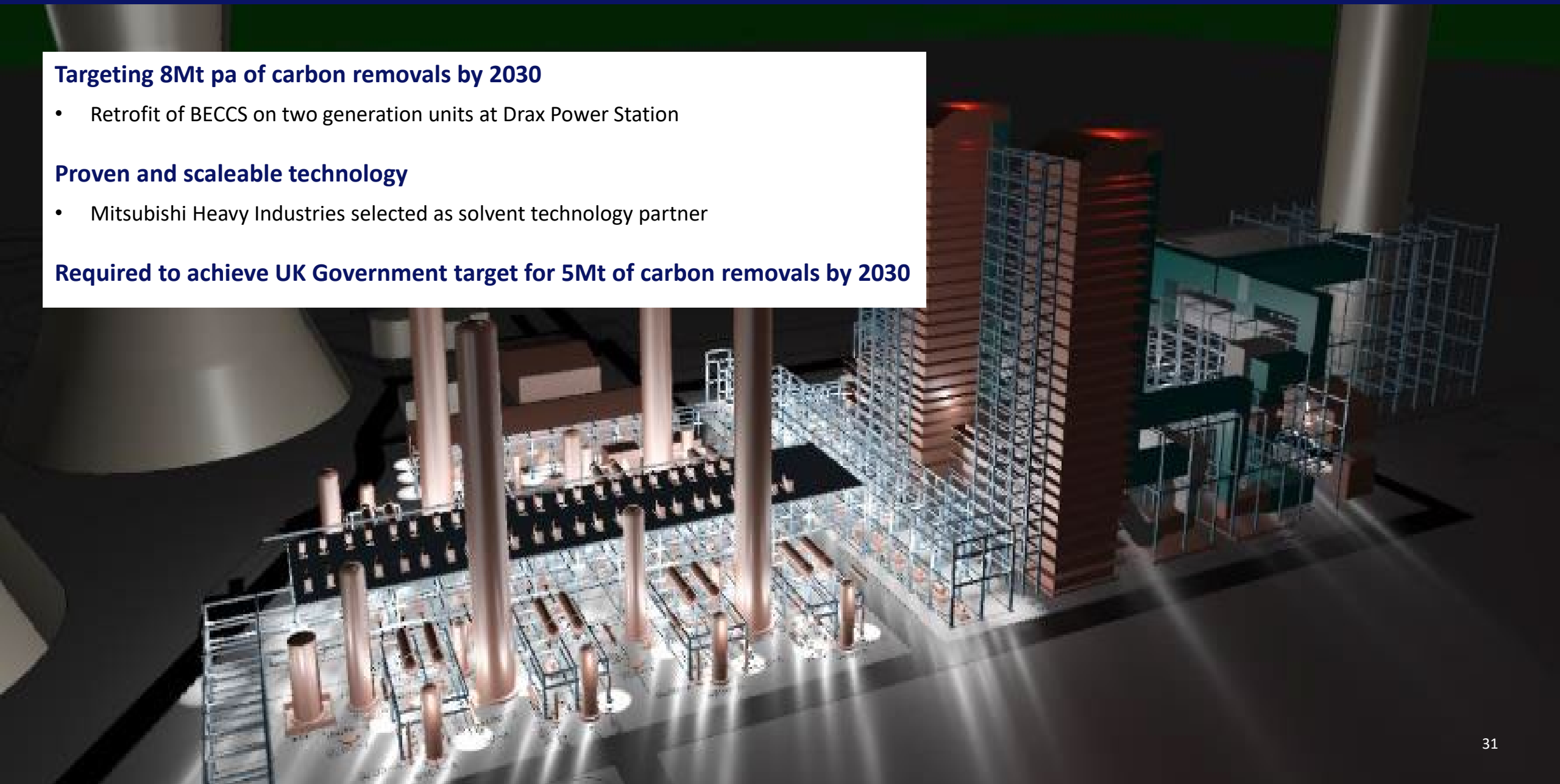
Targeting 8Mt pa of carbon removals by 2030

- Retrofit of BECCS on two generation units at Drax Power Station

Proven and scaleable technology

- Mitsubishi Heavy Industries selected as solvent technology partner

Required to achieve UK Government target for 5Mt of carbon removals by 2030



CCS on a pellet plant

Early deployment on BECCS technology on existing supply chain assets to demonstrate technology at smaller scale, stimulate CDR market and reduce supply chain emissions

Targeting FID in 2024/25 and commissioning in 2026

Carbon Capture & Storage on a Pellet Plant

Drax is pursuing a project to capture and permanently store the CO_2 produced from an existing pellet plant

Why install CCS on a pellet plant?

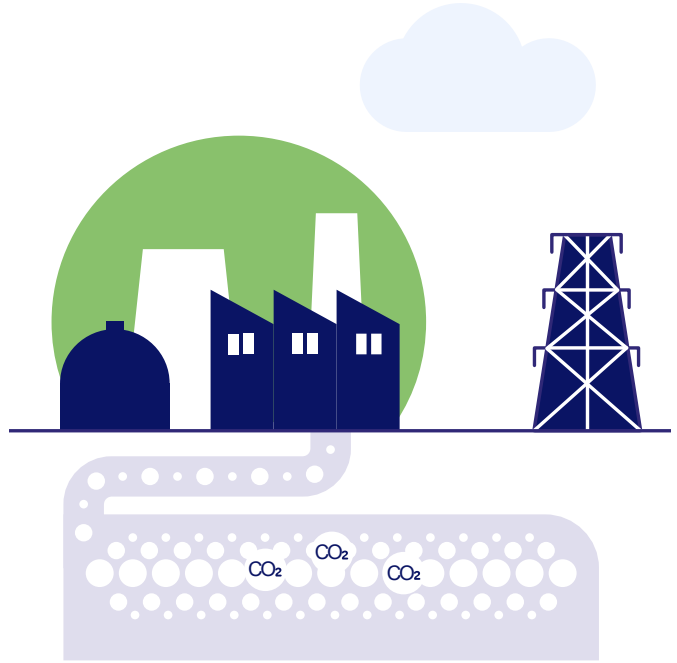
- Early deployment and demonstration of CCS with biomass
- Access to early CDR to help stimulate the market
- Utilisation of existing infrastructure and expertise from work on BECCS
- Removal of CO_2 emissions from pellet manufacturing process
- Lower capital investment

Location

- Evaluating options for development at existing Drax plants at Morehouse or LaSalle (Louisiana)

Technology and innovation

- Evaluation of multiple technology options



Carbon removal capacity:
>100kt/year

Investment:
c.$150m

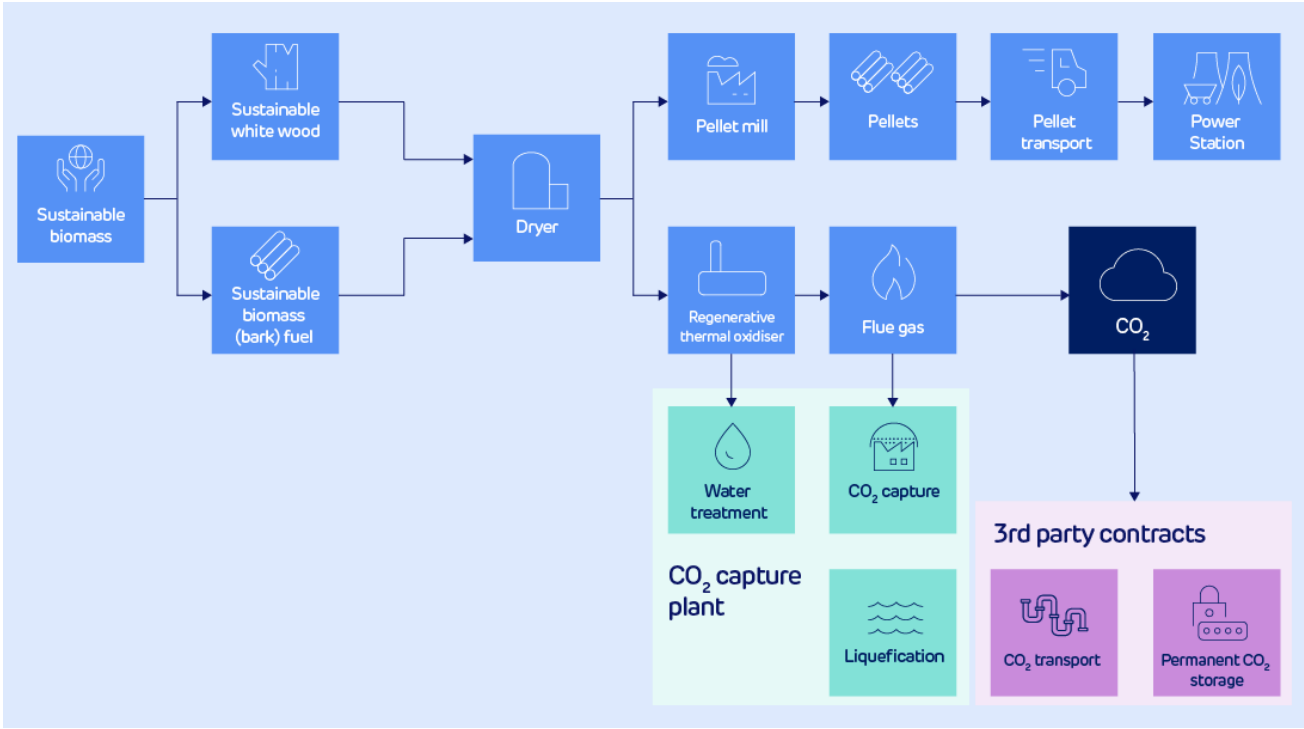
Targeted commissioning:
2026

Permanent jobs
20+

Carbon Capture & Storage on a Pellet Plant – How it Works and Timetable

The key components of the CO_2 capture plant include CO_2 capture, liquefaction, water management, offloading and transport, balance of plant, and pellet plant brownfield components

Operational process



Development timetable

- Phase 1: Pre-FEED — Complete 2023
- Phase 2: FEED and FID — Complete 2024/5
- Phase 3: Construction — 2025/26
- Phase 4: Commissioning — 2026

Development of Global BECCS

Drax is developing a pipeline of project options in North America to provide long-term, large-scale carbon removals opportunities and create attractive investment opportunities

US Inflation Reduction Act is creating an enlarged investment opportunity for BECCS

Developing options in Europe and Australasia

Global BECCS Concept

Multiple options for deployment

New-build BECCS

- Site the plant near the fibre basket and Transportation & Storage
- Design the plant with modern boiler technology to use wood chip and / or wood pellets, depending on location

Coal-to-biomass-to-BECCS

- Retrofit of existing plants
- Likely to use wood pellets
- Similar model to Drax Power Station

Co-located or integrated BECCS

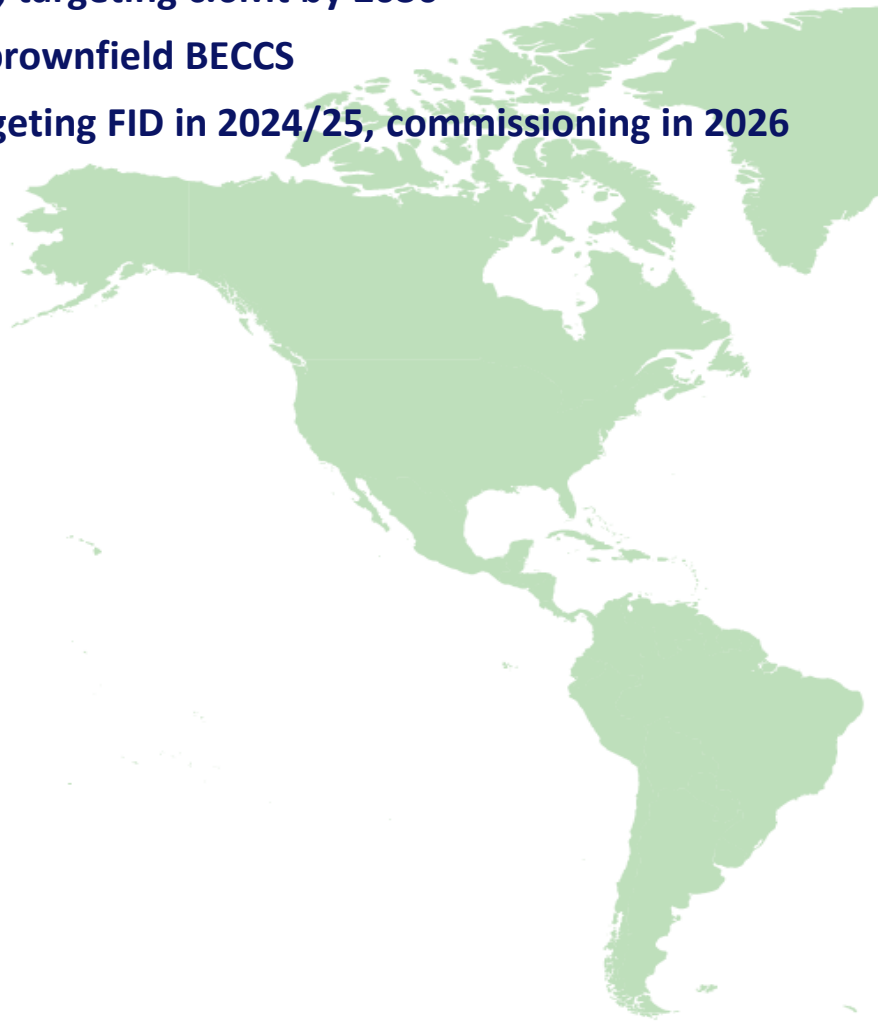
- Use BECCS knowhow to integrate into other processes
- Sustainable Aviation Fuel – attractive host site for BECCS – multiple synergies
- Other advantages of being ‘inside the fence’

Key Considerations

Transportation and storage	Sited on or next to suitable CO_2 storage, reducing distance transported
Fibre	Proximity to fibre baskets reduces transportation Potential for lower fuel cost and wider fuel diet Bottom-up design for biomass, not coal-to-biomass conversion
Operations	Efficiency through design – bottom-up design for biomass with optimised operational efficiency
New-build vs. retrofit	Higher capital cost vs. retrofit – construction of new power generation and CCS units
Political support for BECCS and biomass	Long-term supportive investment environment with national and local support

North America is a Key Focus – Making Good Progress in the USA

Project Pipeline	2 sites selected and progressing to option in US South, targeting c.6Mt by 2030 Evaluating 9 additional sites in US for greenfield and brownfield BECCS Development of option for CCS on a pellet plant – targeting FID in 2024/25, commissioning in 2026
Transportation & Storage	MoUs in place with T&S providers
Fibre	MoUs in place with three leading forestry companies
CDR and Power Sales	MoU for sales >2Mt of CDRs



North America is a Key Focus – Making Good Progress in the US

Political support for BECCS and biomass

US: targeting carbon-free power grid by 2035; net zero target by 2050; long-term strategy recognises the need for biomass

Inflation Reduction Act provides incentives for CCS

Canada: coal phase-out by 2030; net zero electricity system by 2035 and federal carbon price plan to increase C$15/t per year from 2023 to reach CA$170/t by 2030

Sustainability

Screening of long-term fibre supply

Resources

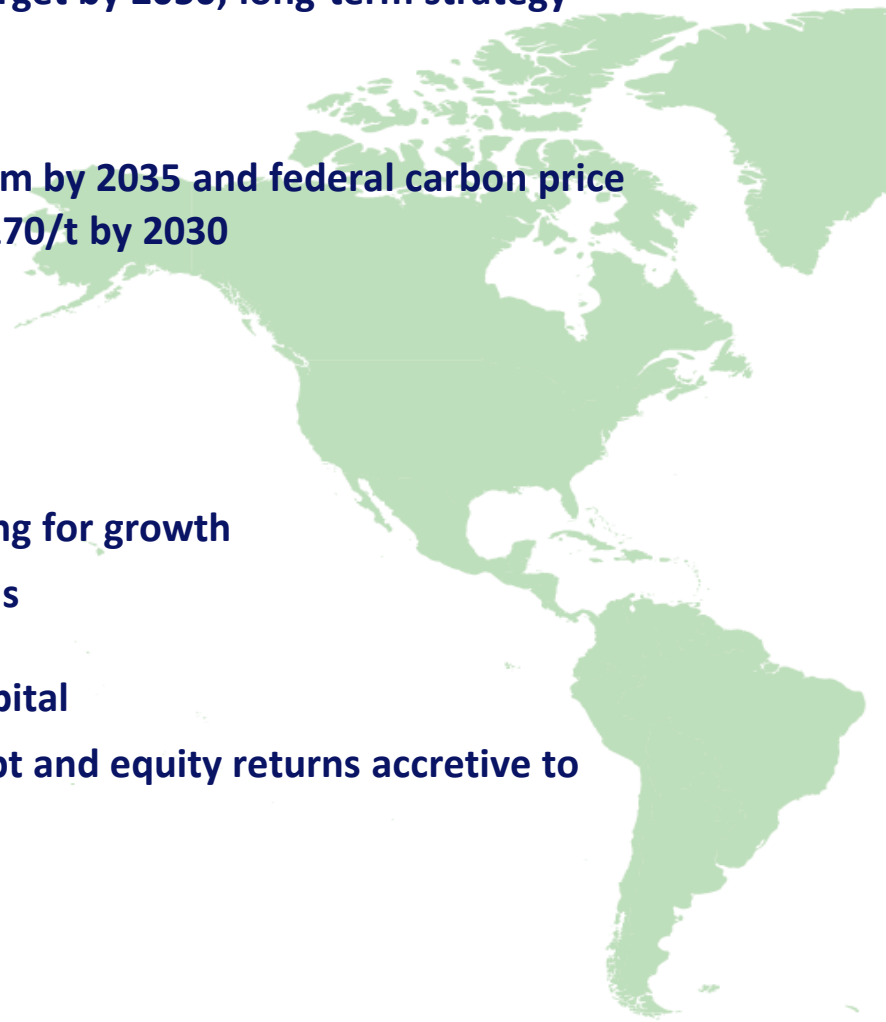
80 hires into Global BECCS – investing in people, resourcing for growth

New Global BECCS HQ being established in Houston, Texas

Financial

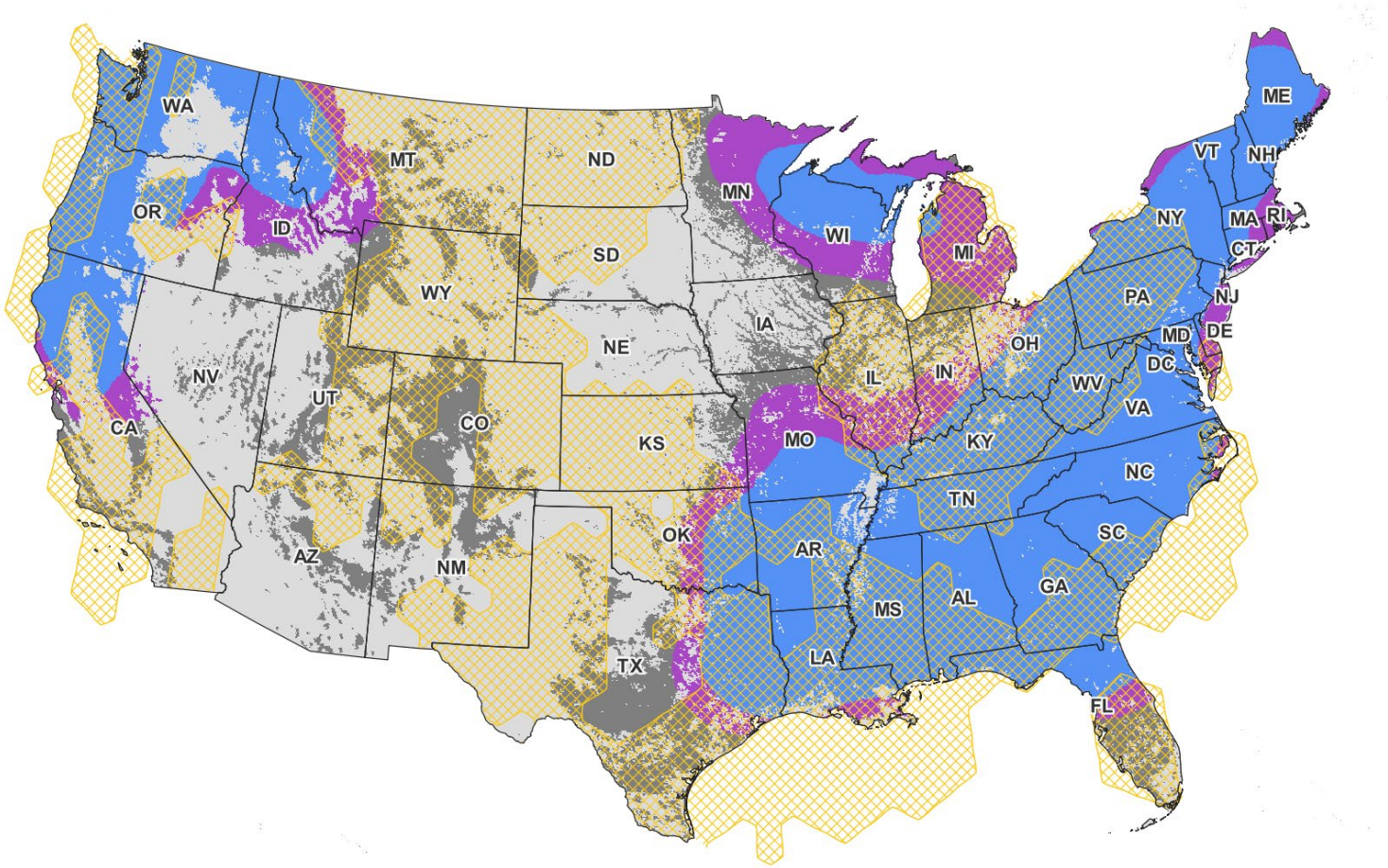
Targeting attractive returns significantly above cost of capital

Developing a range of funding options with attractive debt and equity returns accretive to existing shareholder equity



Where Are We Looking in the USA?

Focus on regions with a sustainable supply of biomass and favourable geology for CO_2 storage



Preferred sustainable biomass supply location

Suitable sustainable supply biomass location

Suitable geology for potential CO_2 storage

Project Development Milestone Process

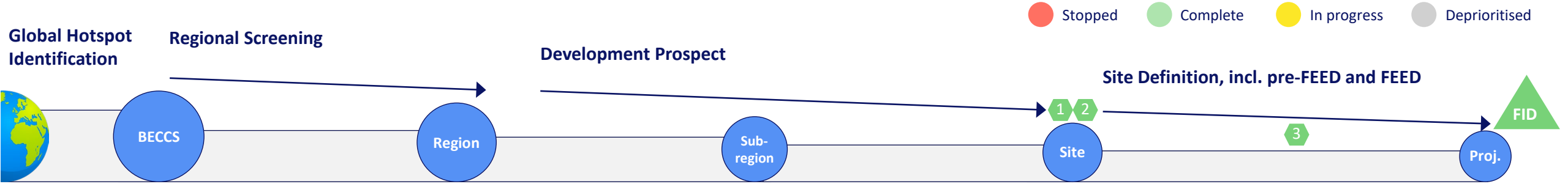
Targeting FID on first two projects in 2025 and commissioning by 2030

	Regional Screening	Development Prospect	Site Definition	Build
Description	**Prioritised global hotspots are explored, and attractive regions are identified and prioritised** **Shortlisting priority regions**, and within each region exploring a particular business model. 'Funnel filling', checking for optionality across fibre, geology, grid connection, power offtake, political support and site availability. Building a view on regulatory head and tailwinds as a key deciding factor	**Top regions are further analysed to identify suitable sub-regions and sites, ready for pre-FEED** **In a given region, defining a specific site for a viable BECCS project,** and advancing the development across key enablers like logistics, water, and grid connection while ensuring site-specific business model viability	**Top sites complete pre-FEED and FEED, while obtaining permits and securing contracts ready for signing after FID** **For a specific site, making the opportunity real** by contracting with suppliers and offtake, completing permitting, interconnection, financing and other items. Starts with pre-FEED, and completes with FEED and prepares all the required sign-offs for FID and build	Development continues supporting any final permitting activities needed to start and continue construction

1 Site acquisition / option
2 Pre-FEED
3 FEED

Project Funnelling

North American funnelling



Prioritised regions

US South

Pacific Northwest

Central Canada

Western Canada

Explored regions

Louisiana

Texas

Arkansas

Mississippi

California

Alberta

Explored sub-regions/sites

9 sites in progress

2 sites deprioritised

1 site stopped

2 sites in Site Definition

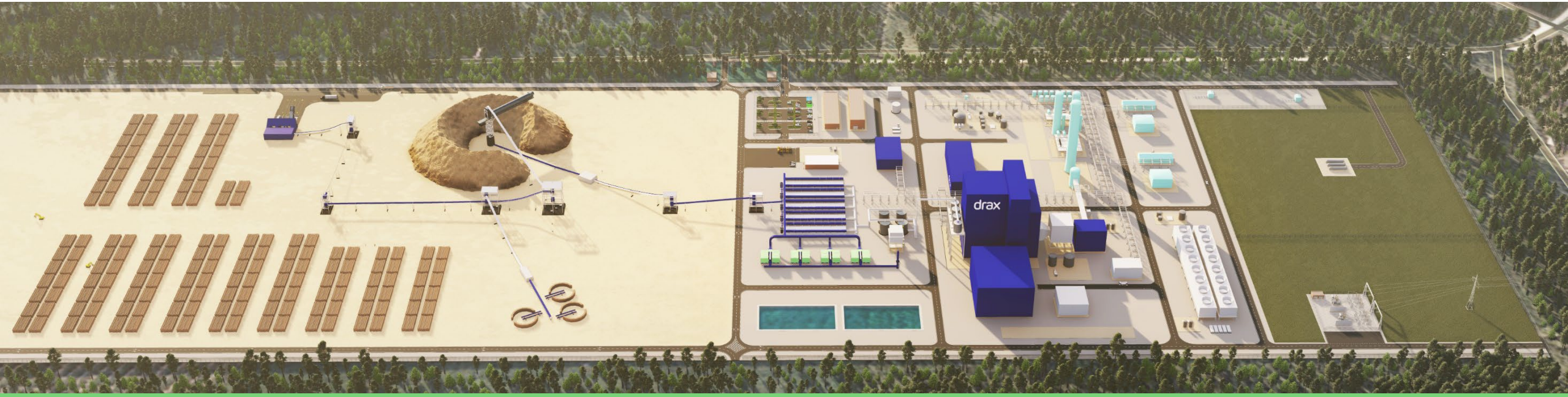
1 Site acquisition / option

2 Pre-FEED

3 FEED

New–build BECCS Illustrative Site Layout

Feasibility studies conducted with Bechtel and Worley – optimal size identified for new-build BECCS facility



Generation capacity:
c.270MW net
c.400MW gross

Carbon dioxide captured:
c.3Mt
of carbon sequestered annually

Healthy forests:
c.3Mt
green tonnes of low-grade fibre

Renewable power generated:
c.2.0 TWh
of 24/7 renewable baseload power

Investment:
c.$2bn
initial capital investment from Drax

Job creation:
1,000+
permanent jobs supported by plant operations and across supply chain

Progress on Commercial Arrangements and Enablers

CDR sales

- MoU for sale of 2Mt of CDR with Respira

- MoU with C-zero

Fibre sourcing

- MOUs in place with three leading forestry companies

Transportation and storage

- MoUs in place with T&S providers

Flexible technology deployment – BECCS as a service

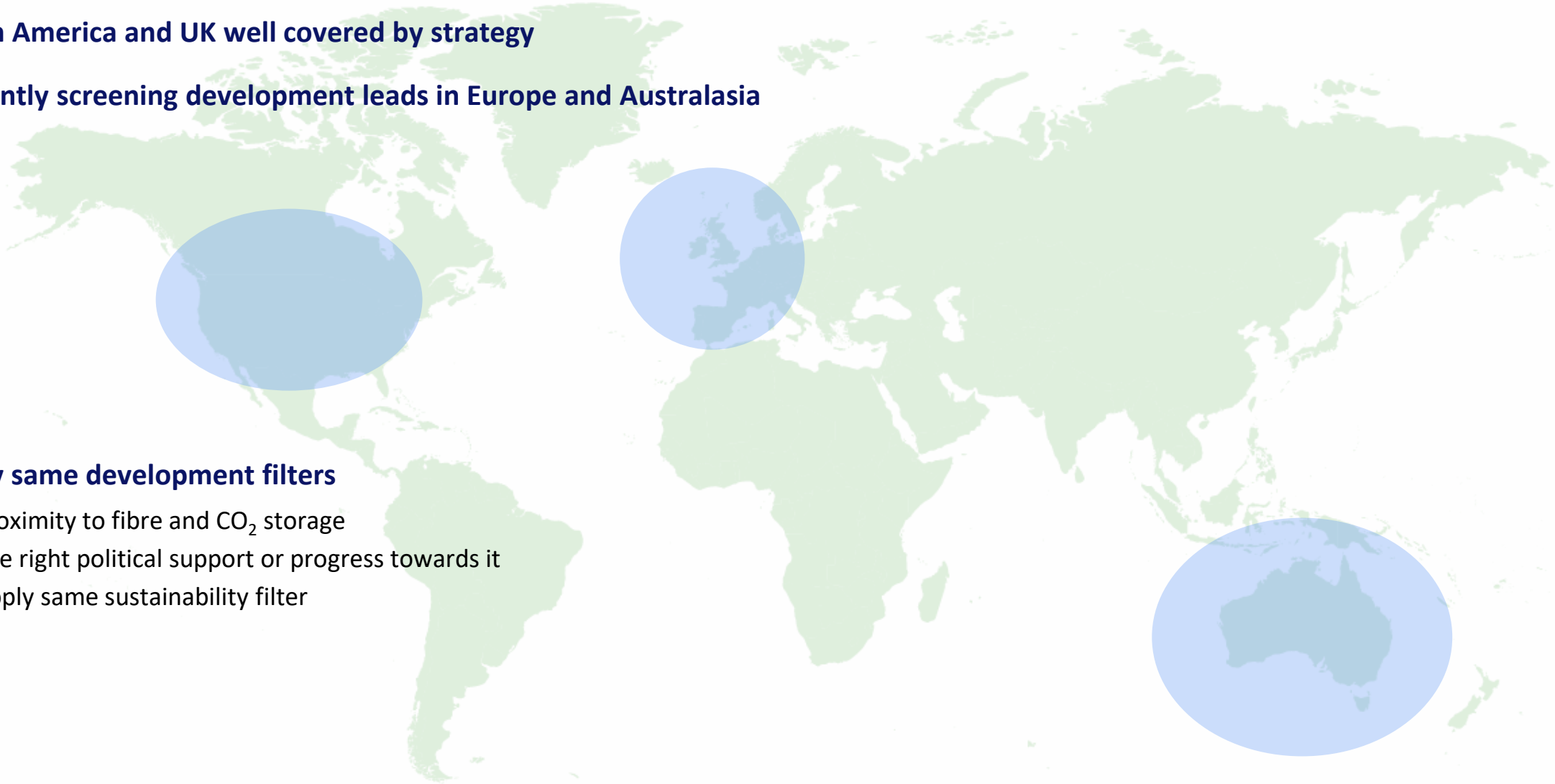
- Open to bespoke solutions to particular industries
- SAF, chemicals, retrofit

Global BECCS

Developing options for BECCS beyond North America and UK

North America and UK well covered by strategy

Currently screening development leads in Europe and Australasia



Apply same development filters

- Proximity to fibre and CO_2 storage
- The right political support or progress towards it
- Apply same sustainability filter

Summary

Ambition for >20Mt pa of carbon removals via BECCS – 14Mt pa by 2030

North America

- 2 sites selected and moving to option in US South – targeting FID in 2026 and operation by 2030, c.6Mt pa of carbon removals
- Pipeline of options for potential future development – screening 9 additional sites (greenfield and brownfield)
- Development of option for CCS on a pellet plant – targeting FID in 2024/25, commissioning in 2026

UK

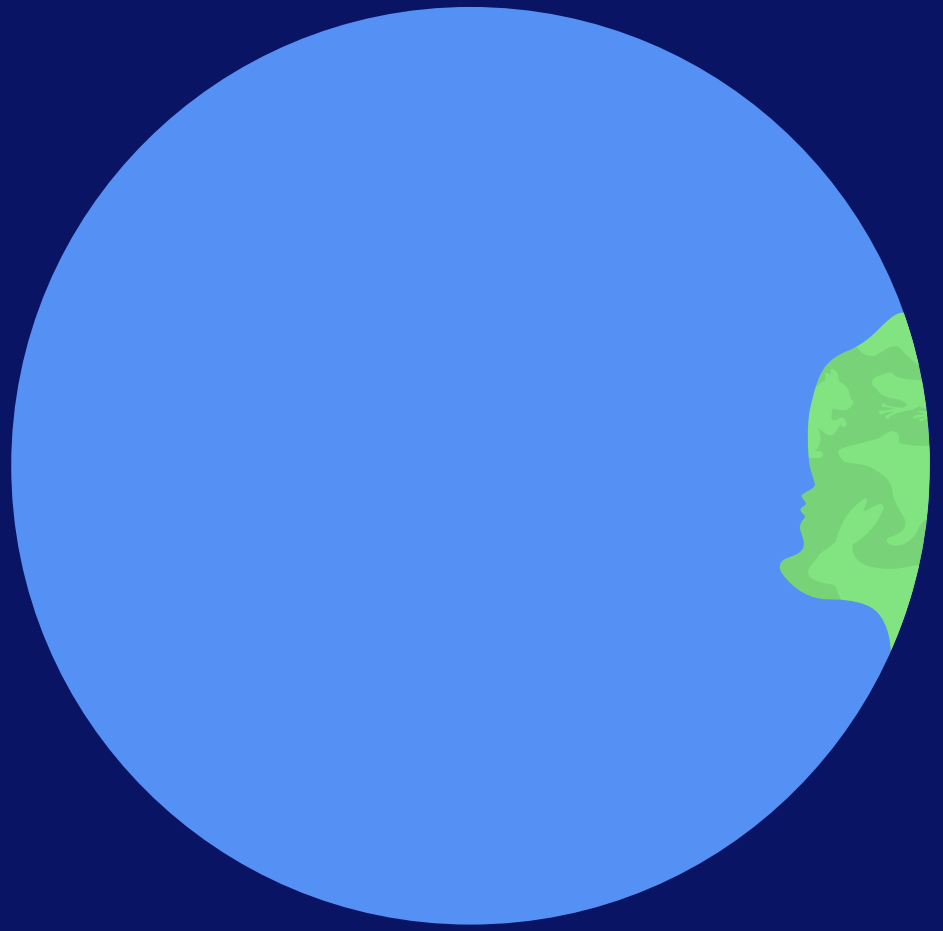
- 8Mt of carbon removals at Drax Power Station by 2030

Global

- Currently screening development leads in Europe and Australasia

Sustainable Business

Alan Knight:
Director of Sustainability



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Coupling Growth With Sustainability

Financial, climate, nature and people positive outcomes

Countries, businesses and individuals are increasingly conscious of sustainability

- But behavioural changes are being offset by growth and new consumption

Drax – long-term financial performance with positive climate, nature and people outcomes

- Supporting more renewable energy
- Helping to restore the climate by removing CO_2
- Supporting the quality and growth of nature systems like forests
- Creating green jobs and supporting communities

Led by the Science

Our business is based on what the scientific consensus is telling us

Independent Advisory Board continues to scrutinise our use of science

Creation of a central science function

- Enhance use of existing science
- New research
- Share thinking with stakeholders

Development of BECCS Evidence Book

The Case for BECCS: An Evidence Book

The need and ability to scale up BECCS at an accelerated pace, true to sustainability

2023

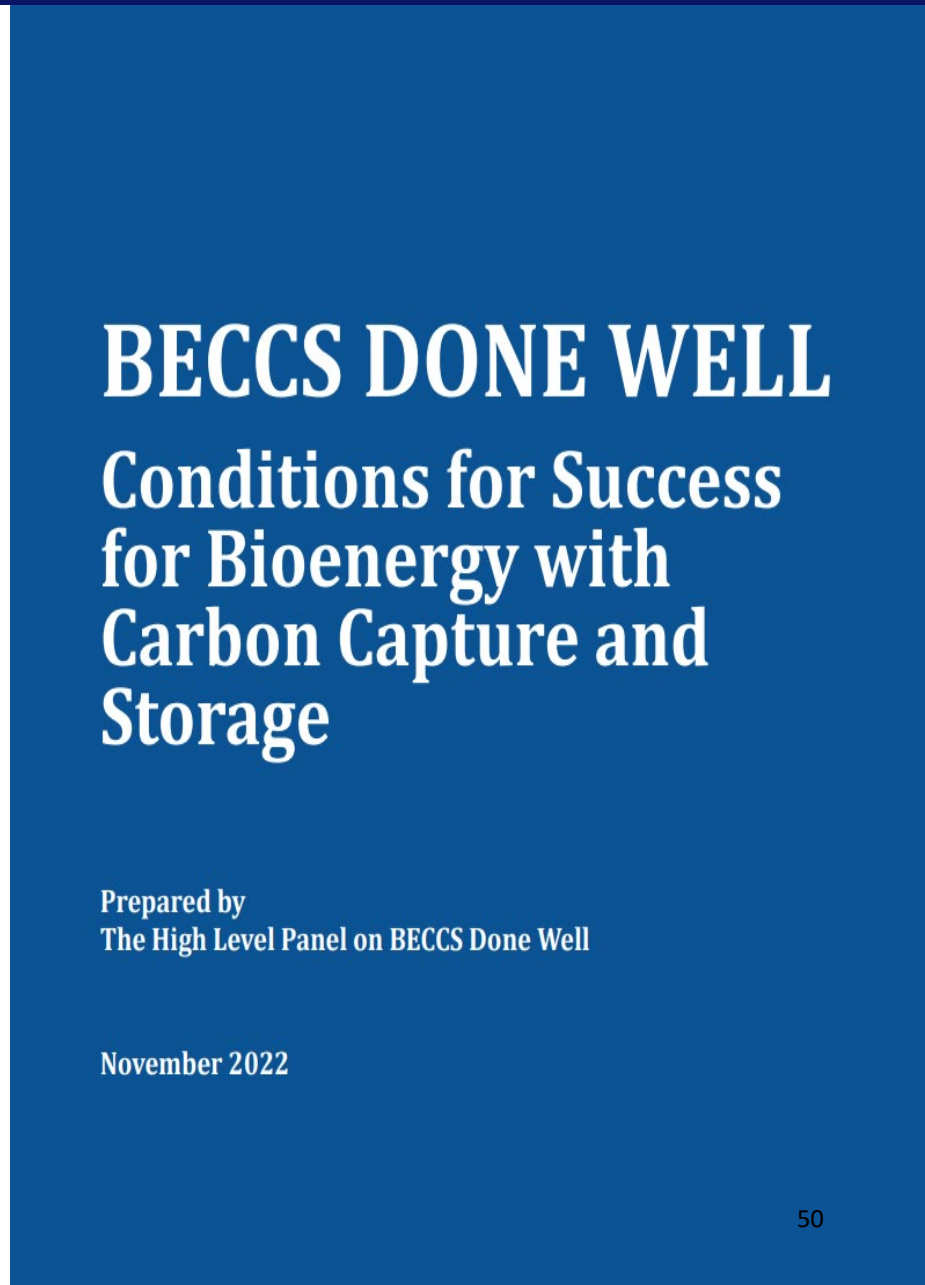
Responsive to Stakeholders

‘BECCS Done Well’ report – *Forum for the Future* (November 2022)

- Independent report commissioned by Drax
- Panel of four experts – Jonathon Porritt chair
- Seventy-plus expert stakeholders interviewed
- Supportive of BECCS
- Thirty conditions to ensure BECCS is done well

Since publication

- Extensive internal consideration chaired by Will Gardiner
- Preliminary response due to be published shortly
- Full commitments and policies to follow
- Continue to work with Jonathon Porritt



Biomass sustainability and standards

Our Biomass Story Starts With Timber

The world needs more timber for construction, manufacturing and more

- Timber creates sawdust and shavings
- Harvesting forests creates thinnings, branches, unusable logs
- Good forest management includes removal of material
  - Reduce the risk and intensity of forest fires
  - Restoration from disease
- Drax fibre sources are embedded in the timber industry
  - c.98% from sawmill and other wood industry residues, branches and tops, thinnings, low-grade roundwood
  - c.2% agricultural residues

Forest Management

We source from forests that are well regulated to ensure positive people, nature and climate outcomes

- Working forests are well managed
- Healthy managed forests deliver sustained ecological, economic and social outcomes
- Working forests for timber encourages regeneration
- Active management of forests reduces risk of disease and wild-fire

Utilisation of material with limited other uses

Protection of sensitive sites

Forest Fire protection and Restoration from disease

Improved Biodiversity

Increased forest productivity

Local employment

Improved access for recreation

Minimising Wastefulness in Working Forests

Historically, commercial uses for residues were limited… particularly in British Columbia…
…..where burning of residues was undertaken

Biomass provides a better alternative and supports long-term investment in good forest management

Fibre Sources (2022)

c.60% of Drax Group fibre comes from USA

- Working forests harvested by landowners for timber and pulp
- Stable / growing carbon stocks
- Engagement with suppliers helps sustain and improve forest management practices
- Working with small and large producers

c.20% of Drax Group fibre comes from Canada

- 80% – sawdust and sawmill by-products

Drax Group sources of fibre

	Sawmill and other wood industry residues	Branches and tops	Thinnings	Low-grade round wood	Arbori and agri. residues	Waste	Total
USA	19.7%	3.0%	13.8%	22.0%	1.4%	-	**59.9%**
Canada	20.2%	3.3%	-	0.8%	-	-	**24.3%**
Latvia	2.1%	-	-	6.8%	-	-	**8.9%**
Portugal	0.1%	0.3%	0.3%	1.2%	-	-	**1.9%**
Brazil	-	-	0.0%	1.8%	-	-	**1.8%**
Estonia	0.7%	-	0.2%	0.7%	-	-	**1.6%**
Other European	0.5%	-	-	-	1.1%	0.1%	**1.7%**
Total	**43.3%**	**6.6%**	**14.3%**	**33.3%**	**2.5%**	**0.1%**	**100.0%**

Drax Pellet Production sources of fibre

USA	24.3%	0.0%	16.2%	12.3%	-	-	52.8%
Canada	38.9%	7.1%	0.0%	1.1%	-	-	47.2%
Total	**63.3%**	**7.1%**	**16.2%**	**13.4%**	-	-	**100.0%**

Carbon Stocks in Forests

Catchment Area Analysis

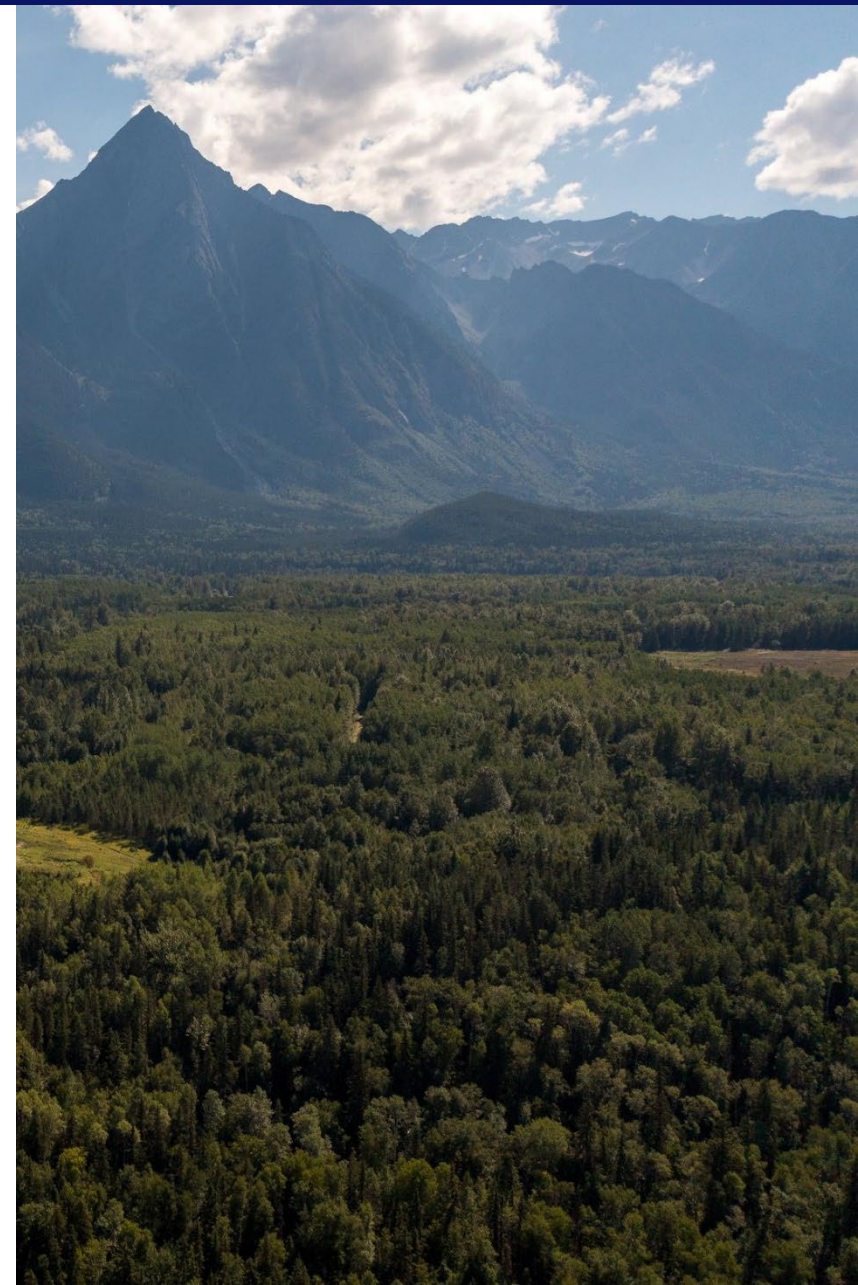
- Tracking of carbon storage and sequestration in regions where we source
- Applied to own-use fibre and third-party suppliers

Catchment Area Analysis considerations

- Amount of carbon stored on landscape (growing stock)
- Sequestration rate of carbon (productivity of forests)
- Harvesting levels vs. productive capacity of area
- Changes in forest management practice
- Wood prices and other markets that use wood

Impact

- Source from working forest areas where there is an established forest industry
- Understand forest carbon factors in areas we source from



Independent Sustainability Standards and Checks

Multiple regulations and audits of biomass sources

- In-country forestry regulations for timber sector
- Independent, multi-stakeholder forest standards bodies
  - Forest Stewardship Council® (FSC® C119787), PEFC (PEFC/16-37-1769), SFI (SFI-01578)
- Independent, multi-stakeholder standards for biomass – SBP
- Internal policies and audits

SFI-01578

Highlight on:

Sustainable Biomass Program (SBP)
SBP is a certification system designed for woody biomass used in industrial energy production

Originally created by biomass generators, SBP has evolved and has had a multi-stakeholder governance structure since 2019

Sustainable Forestry Initiative (SFI)

Programme for the Endorsement of Forest Certifications (PEFC)

Forest Stewardship Council® (FSC®)

Drax – a leading role in the Glasgow Declaration

Lead the industry in setting sustainability standards for biomass

Clear principles

Forum for users and producers, with others stakeholders to agree a common approach to sustainability

Working with World Bioenergy Association and other sector peers to develop sustainability standards for biomass

Glasgow Declaration on Sustainable Bioenergy

Multiple Controls and Processes in Place to Ensure Sustainable Biomass Sourcing

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The economics of forestry mean we take low-grade material

We buy from regions where forest regulations are tight

Voluntary certification schemes

Sourcing policy, supported by our compliance procedures

UK regulations and compliance

Post-harvesting studies, to track impact

Independent Advisory Board of leading academics

Work with our sector to create a universal gold standard

Towards BECCS and what next?

Modelling of Potential Sources of Biomass at a Global Level

Geospatial models with sustainability filters…

Modelled current and potential future biomass production
11 geospatial datasets, 7 scientific references and high-resolution data

Criteria

No high conservation value land: intact forest landscape; high biodiversity intactness index; key biodiversity area; peatland; wetland; areas with high soil loss

Leaving enough residue for nature: protect nutrient cycles, floor biodiversity in forests

Good practice forestry and logistics: exclude land steeper than a threshold grade; land far from major infrastructure; containing a low biomass density excluded

…exploring three main types of biomass

Low-grade and forest and sawmill residuals: wood residues, primary residues from forest harvests, secondary residues, and low-grade roundwood
Excludes high-quality roundwood such as sawlogs

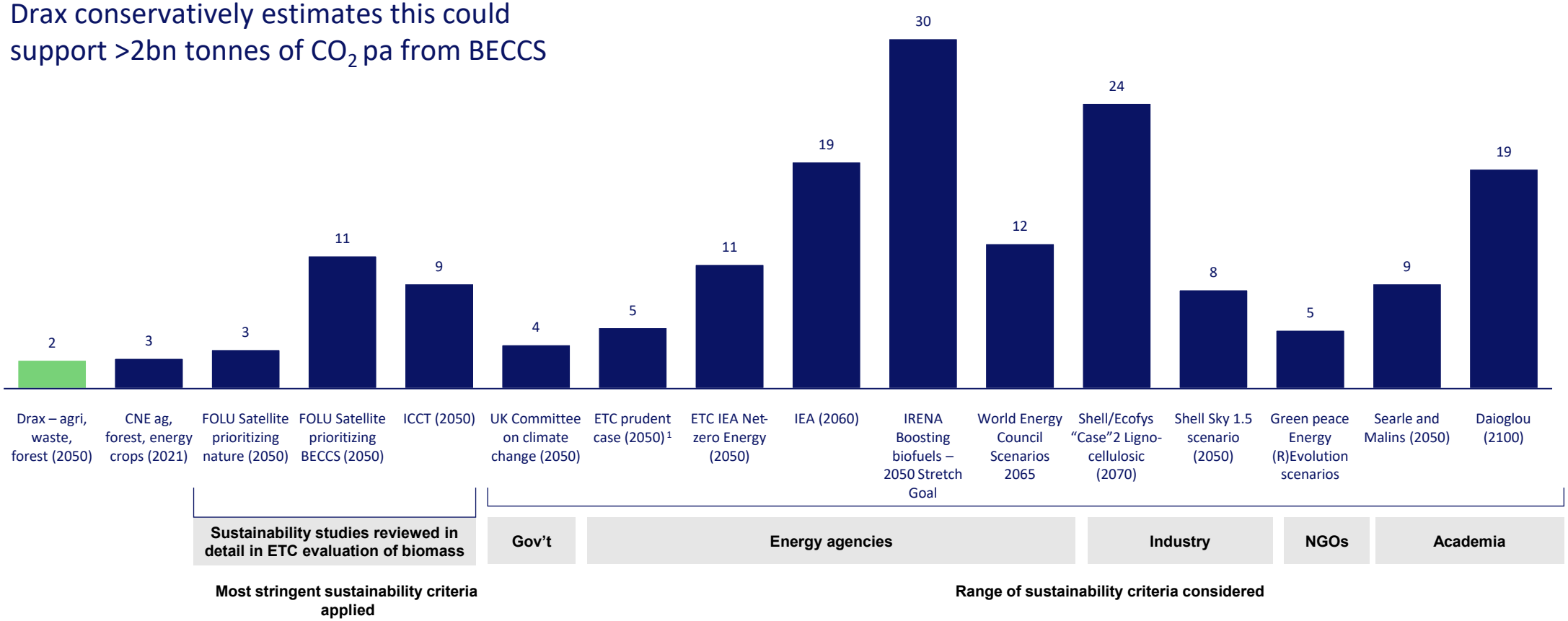
Agricultural biomass: primary residues (e.g., stalks, leaves) and secondary residues (e.g., processing residues like bagasse)

Waste biomass: woody municipal waste, sludges, cooking oils, animal fats, food processing wastes, and other municipal wastes

A Wide Range of Views on the Level of Sustainable Biomass Sources Globally

Theoretical maximum of CO_2 that could be captured by BECCS based on global sustainable biomass supply, billion tonnes of CO_2 pa

Drax conservatively estimates this could support >2bn tonnes of CO_2 pa from BECCS



Source: Energy Transition Commission, Drax analysis

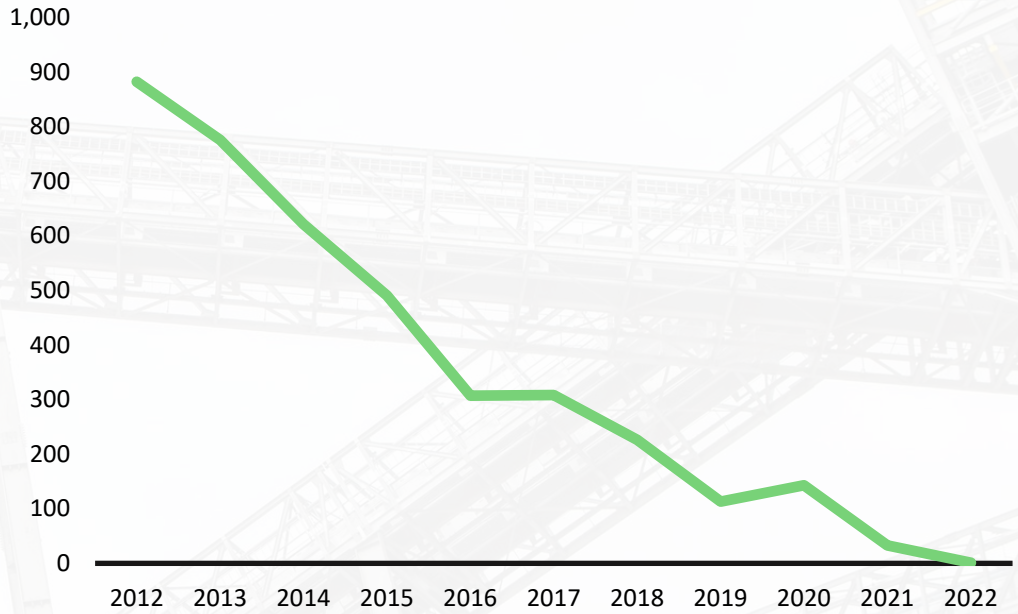
Carbon Reduction

Coal reduction saw scope 1 emissions fall

Targets to reduce remaining Group scope 1, 2 and 3 emissions

Targeting net zero by 2030

99% reduction in Generation scope 1 and 2 CO_2 intensity (tCO_2e/GWh) since 2012



- Transition from coal to biomass
- Sale of combined cycle gas generation
- Closure of remaining coal

Creating a Nature Positive Company

Well-established science and policies underpins biomass sustainability

Mapping our impact and dependencies on the natural environment to enable us to have a positive impact

- Working with World Business Council for Sustainable Development (WBCSD) and others to establish best practice
- Identifying nature metrics specific to our generation assets and forest sources
- Recruiting nature specialists at corporate and operation level
- Policies and projects in place to protect and enhance nature at our many touchpoints
- Developing partnerships throughout our value chain to deliver benefits to nature
- Member of Task Force for Nature Related Financial Disclosure (TNFD) Pilot

People Positive – Drax Giving: Investing in Our Communities

c.£1million investment in 2023 in projects and programmes that support our communities

Drax Foundation

Grant funding for non-profit organizations in the UK, US and Canada

- STEM education and skills development
- Enhancing green spaces and biodiversity in local communities
- Bi-annual grant awards, grants up to £50,000. Supported by employee-led Foundation Committees in each country

Drax Community Fund

Donations to local projects in the communities where Drax operates

- Focus on STEM education and improving local communities
- Projects with high local visibility
- Quarterly donations of up to £2,000 to local community projects.
- Supported by employee-led Charity Committees in each country

Drax Communities in Crisis Fund

- Emergency support for natural disasters, conflict and other humanitarian crises
- Overseen by Drax executive committee

Development of Governance, Reporting and Disclosure

Strengthening governance across the company through a new governance model and ESG reporting

- Sustainability Council
- New executive role for sustainability
- Expert hubs – Climate, Forests, Carbon Reduction, Nature, Biomass
- ESG reporting

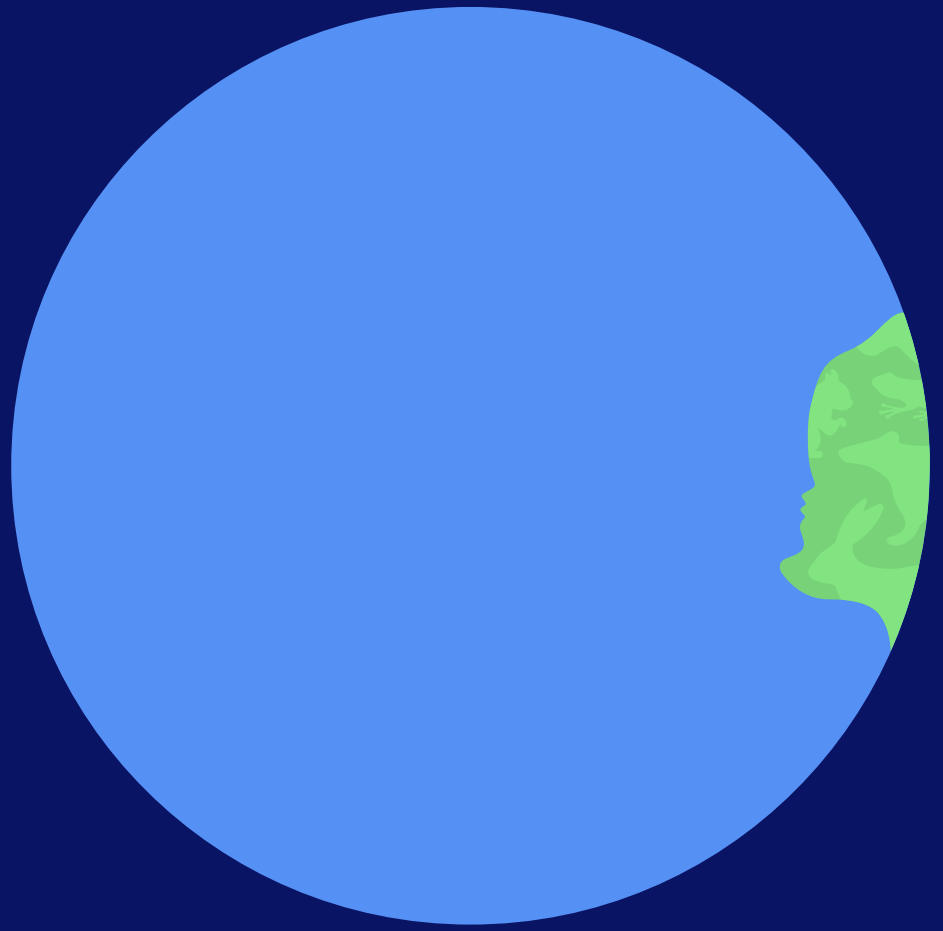
Summary

A business model that links positive long-term financial, climate, nature and people outcomes

Underpinned by the science and strong governance

Finance Update

Andy Skelton: CFO

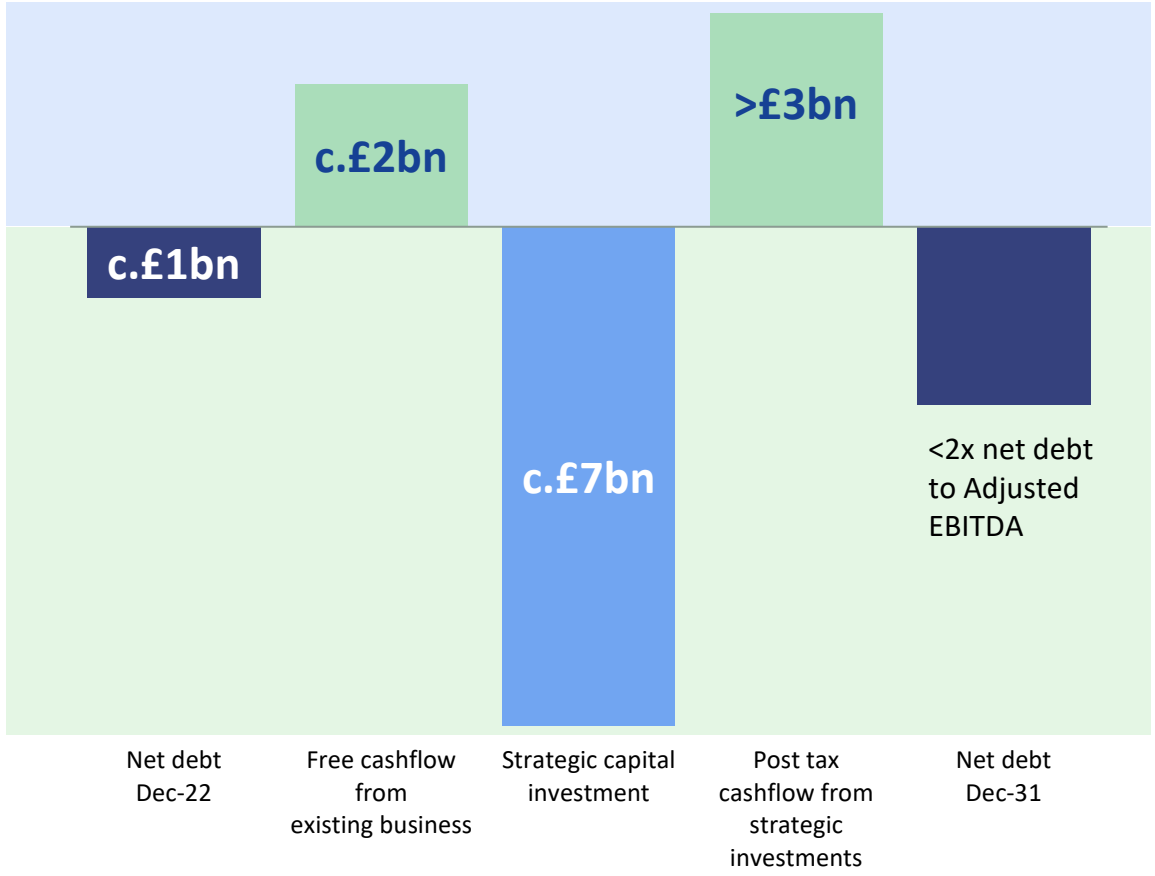


Investment Case

High-quality, strategic asset base aligned with climate solutions, net zero and energy security	• UK – 2.6GW of biomass and 0.5GW of pumped storage / hydro generation • North America – 5Mt of capacity across 18 operational and development plants with access to 5 deep-water ports. Sourcing of sustainable biomass from 4 major fibre baskets • Vertically integrated biomass supply chain and dispatchable UK generation assets support security of supply
Differentiated position with operations across the biomass value chain	• Owner, producer, operator, user and supplier of biomass • c.20 years experience in biomass and long-term relationships with forestry industry • Geographically diversified supply chain with opportunities for trading and optimisation
Strong operational and financial performance	• Adjusted EBITDA underpinned by index-linked revenues extending into the 2030s • £2.3bn of net cash from operating activities since 2017 with strong cash conversion • Strong balance sheet with c.2x net debt to Adjusted EBITDA target
Significant global growth opportunities aligned with climate solutions and net zero	• Attractive investment opportunities in carbon removals, pellet production and dispatchable generation • Investment opportunities aligned with country-level climate policies and rising value of carbon
Clear capital allocation policy	• Longstanding policy which supports investment in the existing asset base, growth and returns to shareholders • 11% average annual growth in dividend per share since 2017 – c.£400m of dividends paid • £200m of additional returns via share buybacks – £50m (2018/2019), £150m in 2023 (in progress)

Sources and Uses of Cash to 2031

Strong cash generation from existing assets underpins investment for growth
Net debt to Adjusted EBITDA below 2x in 2031



c.£7bn of strategic investments

- 14Mt of BECCS, pellet plants and pumped storage
- Investment high point 2026-2029, de-lever quickly thereafter, below 2x by 2031
- Significant free cashflows from strategic investments supports further investment opportunities

Investment returns and funding options

- Targeting double digit returns
- High-quality strategic assets and project portfolio provides range of attractive funding options

Long standing capital allocation policy

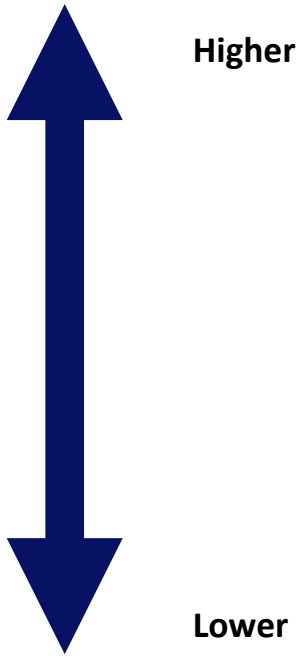
- Committed to paying a growing and sustainable dividend throughout and return of surplus capital in line with policy

1) Free cashflow from existing business = Adjusted EBITDA less interest, tax, Electricity Generator Levy, dividend and maintenance capex.
2) Free cashflow from strategic investments = Adjusted EBITDA less interest and tax.

Strategic Capital Investments

Strategic objectives closely aligned with climate solutions, net zero and energy security
c.£7bn of attractive opportunities for long-term growth and value creation for stakeholders

	Description	Capital investment
Carbon Removals	**14 Mt of carbon removals by 2030** • 2 sites selected and moving to option in US South – targeting c.6Mt by 2030 • Evaluating 9 additional sites in US for green and brownfield BECCS • MoUs agreed for sale of >2Mt • 8Mt of carbon removals at Drax Power Station by 2030 • Option for CCS on a pellet plant	**c.£5.5-6.0bn**
Pellet Plants	**Targeting 8Mt of production capacity by 2030** • c.3Mt of new capacity	**c.£0.5-1.0bn**
Pumped storage expansion	**600MW expansion by 2030** • Multiple earnings sources aligned with growing system need • Underpinned by long-term earnings stability via a cap and floor mechanism	**c.£0.5bn**



Wide range of attractive funding options: reinvestment of cash generated (from existing assets and strategic investments), issuance of new debt in-line with balance sheet targets and other sources of funding including project finance

US vs UK BECCS Business Model

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New-build BECCS – US

Renewable power generated:
c.2TWh
of 24/7 renewable baseload power

Carbon captured:
c.3Mt
of carbon sequestered pa

Capital investment c.$2bn

- New build c.300MW power station with BECCS located close to fibre source and access to T&S
- Higher capex than retrofit but lower opex

Operating costs:

- Use of **wood chip** and proximity to sustainable fibre source reduces transportation costs and removes need for pelletisation
- T&S varies by project and region

Remuneration:

- Long-term Power Purchase Agreements
- 45Q = $85/t annual direct pay tax credit for CO_2 permanently removed and stored over 12-year period
- Forward sale of CDRs underpins FID (3m CDRs available per year)

Risk and return

- Commercial structure supports higher returns but requires forward sale of significant volume of CDRs to underpin FID and support financing options
- Reduced FX risk
- Target long-term fibre agreements before FID

BECCS in the UK – Drax Power Station

Renewable power generated:
c.4TWh
of 24/7 renewable baseload power

Carbon dioxide captured:
c.4Mt
of carbon sequestered pa

Capital investment c.£1bn

- Retrofit existing biomass unit
- Lower capex than new build but higher opex

Operating costs:

- Use of **biomass pellets** increases production and transportation cost
- T&S offtake agreement

Remuneration:

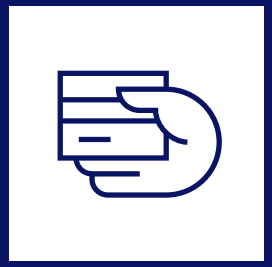
- Long-term CfD agreement with UK Government with payment for renewable power generated and carbon captured, linked to UK CPI

Risk and return

- Government backed contract with long-term revenue visibility but lower returns
- CfD required to cover market price of biomass and FX risk to underpin project returns

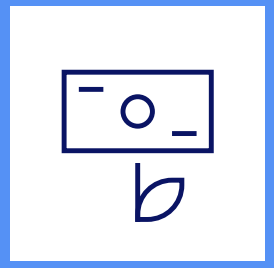
Capital Allocation Policy

Implemented in 2017, designed to support strategy

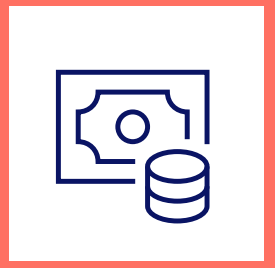


1. Maintain credit rating

2. Invest in core business



3. Sustainable and growing dividend



4. Return surplus capital beyond investment requirements

Summary

A sustainable long-term business model leveraging on our biomass expertise and objectives aligned with climate solutions, net zero and energy security

A purpose led company

A strategy delivering for shareholders as well as climate, nature and people

Proven financial performance

Attractive portfolio of investments opportunities

A disciplined approach to capital allocation

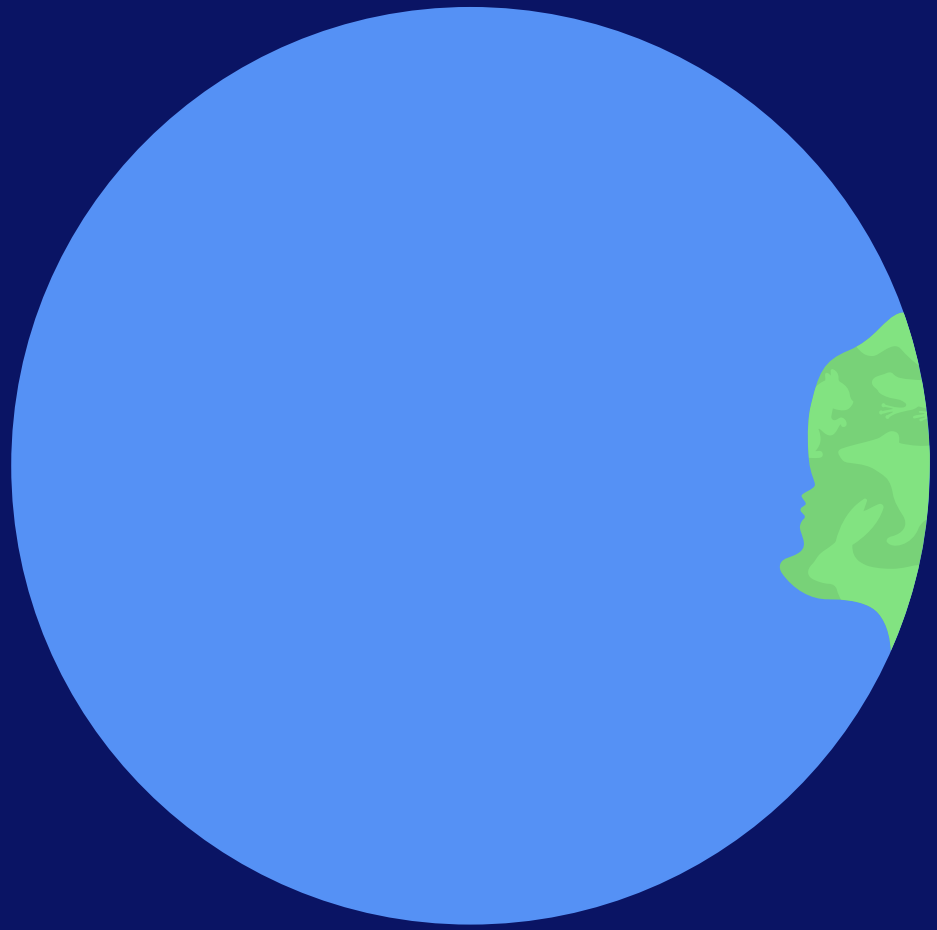
Carbon Removals
Objective 1: to be a global leader in carbon removals

Pellet Production
Objective 2: to be a global leader in sustainable biomass pellets

Dispatchable, Renewable Power
Objective 3: to be a UK leader in dispatchable, renewable generation

Drax Group
Capital Markets Day

May 2023



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