



Department for Energy Security & Net Zero

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Baroness Sheehan
Chair of the Environment and Climate Change Committee House of
Lords
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5th February 2025

Dear Baroness Sheehan,

Thank you for your letter of 19 November regarding the measures in place for audits of Drax's global supply chain and verification of compliance with sustainability requirements of the Low Carbon Dispatchable Contract for Difference (LCD CfD).

I am writing following the publication of the full contract by the Low Carbon Contracts Company (LCCC) on 1 December 2025, which can be found on their website:

<https://www.lowcarboncontracts.uk/resources/guidance-and-publications/low-carbon-dispatchable-cfd-agreement-relating-to-drax-power-station/>

Under the terms of Drax's contract, sustainability monitoring and enforcement will be the responsibility of the LCCC, which will conduct independent assurance checks across Drax's global supply chain. To facilitate this, we have significantly enhanced the audit rights within the contract terms as follows:

- The contract includes an obligation for Drax to grant LCCC audit access to any facility and records within Drax Group's ownership. This includes all sites and stages in the supply chain, both in the UK and overseas.
- The contract also requires Drax to use all reasonable endeavours to secure flow-down provisions within the terms of its supply contracts, which will extend the scope of LCCC's audit rights to include access to the facilities and records of third-party suppliers.
- Compliance audits will be conducted to more stringent standards than previously: the required audit standard has been increased from 'limited' to 'reasonable'. This will increase the sample sizes for sustainability data audits, substantially increasing confidence in its findings.
- Sustainability data will also be reported at a more granular level, with Drax required to report sustainability data down to the level of individual pellet mill facilities.
- We have also designed new measures including fuel sourcing restrictions that can be imposed by LCCC in response to supply chain concerns.

In the event that breaches of the strengthened sustainability criteria are identified in these audits, LCCC will have the power to impose significant financial penalties on Drax via loss of subsidy, and – for serious and repeated breaches – the right to terminate the contract in consultation with DESNZ officials. LCCC is currently finalising the detail of its audit and assurance programme for the LCD CfD which will have international reach.

Best wishes,

MICHAEL SHANKS MP
Minister of State for Energy