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Drax Sees Profit Dip Amid Lower Power Prices, But Extends Share Buyback Scheme

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British energy firm Drax Group reported a decline in earnings for the first half of 2025, as weaker wholesale electricity prices in the United Kingdom weighed on performance. However, the company moved to reassure investors by announcing a substantial extension to its existing share buyback programme.

Drax, which supplies approximately 5% of the UK's electricity and has transitioned from coal to biomass-fuelled generation, posted an 11% drop in adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) to £460 million for the six months ending June. This marks a fall from £515 million during the same period in 2024. The company maintained its full-year guidance, with adjusted EBITDA still projected to range between £899 million and £910 million.

The dip in profitability comes as wholesale electricity prices in the UK have continued to ease. Following the price surge triggered by Russia's invasion of Ukraine in 2022, power costs have steadily declined, placing pressure on generator margins across the sector.

In response, Drax confirmed it will expand its current £300 million share buyback initiative by a further £450 million to be executed over three years. The announcement was welcomed by markets, with shares in the company rising by 6.2% to 720 pence during early trading on Thursday.

Drax's business model has shifted significantly in recent years, with a focus on biomass as a lower-carbon energy source. In line with this strategy, the government earlier this year extended the life of subsidies for Drax's biomass operations. The contracts-for-difference (CfD) scheme, designed to stabilise revenues for low-carbon generators, was extended from 2027 to 2031 for Drax's North Yorkshire facility.

The company expects to finalise a formal agreement with the UK government later in the year regarding the subsidy extension. Under the new terms, Drax would have greater flexibility to adjust its output based on grid demand. This would support system balancing by allowing the company to increase generation when supply is tight or reduce output when surplus electricity risks overloading the network, thereby reducing reliance on gas-fired plants or electricity imports from continental Europe.

As Drax continues to pivot toward decarbonisation and grid support services, the extended financial backing and share repurchase plan signal confidence in its long-term outlook, despite near-term headwinds from the energy market correction.