



Michelle Connolly
Director
Conservation North
606 Freeman Street
Prince George, BC V2M 2R2



Scott Doherty
Executive Assistant to the National President
Unifor
115 Gordon Baker Road
Toronto, ON M2H 0A8



Gary Fiege
President
Public and Private Workers of Canada
1184 West 6th Avenue # 201
Vancouver, BC V6H 1A4



Ben Parfitt,
Resource Policy Analyst
Canadian Centre for Policy Alternatives, BC Office
520-700 West Pender Street
Vancouver, BC V6C 1G8

February 16, 2022

Matthew Boswell
Commissioner of Competition
Competition Bureau of Canada
Place du Portage I
50 Victoria Street, Room C-114
Gatineau, QC K1A 0C9

Subject: Drax Group's anti-competitive practices in British Columbia's and Canada's wood pellet industry

Dear Mr. Boswell,

We write today to formally request that the Competition Bureau of Canada investigate the Drax Group's dominant position in the wood pellet industry in British Columbia, Alberta and Canada more generally.

The company has monopolized much of the wood pellet production in western Canada and its recent actions indicate that it is using that monopoly position to substantially lessen competition in the market for the raw materials required to make wood pellets.

We make this request because of recent developments in British Columbia's pellet industry that directly involve the Drax Group and that will soon result in a tangible reduction in competition in the wood pellet industry. We believe that this reduction in competition will have negative consequences for both forest ecosystems and forest industry employment in the province; matters of great concern to our respective organizations and to numerous British Columbians.

As background, Drax operates a thermal electricity plant in the United Kingdom [that is the largest of its kind in the world](#). The plant relies almost exclusively on wood pellets as the primary feedstock to create the heat to spin its turbines. The longstanding lack of significant forest cover in much of the United Kingdom means that Drax must acquire its fuel supplies from overseas. The US Southeast and Canada have emerged as significant sources of pellets for Drax.

As part of its efforts to consolidate its hold on raw material supplies from Canada, Drax purchased Pinnacle Renewable Energy Inc., British Columbia's largest wood pellet maker, in April 2021. With the purchase, Drax gained whole or partial ownership of seven of the province's 14 wood pellet mills. However, [data published by the Wood Pellet Association of Canada](#) shows that those seven mills have larger than average output. This means that with the purchase of half of the province's pellet mills, Drax has direct or partial control of 62 per cent of the industry's output—1.57 million tonnes of a combined 2.51 million tonnes per year.

But what has prompted this request to the Competition Bureau is more than just Drax's monopoly position and speaks to its actions subsequent to its acquisition of Pinnacle.

In mid December 2021, Drax purchased the pellet sales contracts of Pacific Bioenergy, British Columbia's second-largest wood pellet producer. The purchase, according to Drax, means that the company must ensure that [another 2.8 million tonnes of wood pellets](#) produced in British Columbia will be supplied to purchasers in Japan and Europe between 2022 and roughly 2035, for an average of 200,000 additional tonnes per year.

Following the agreement between Drax, the largest wood pellet company in British Columbia, and Pacific Bioenergy, the second-largest pellet producer, the latter announced that it would be shutting down its operations in March of this year at a cost of 55 manufacturing jobs and an undisclosed number of logging and log hauling jobs.

The combination of Drax's purchase and Pacific Bioenergy's virtually simultaneous decision to close the operations of the Prince George-based company, signifies that Drax's entrée into Canada is reducing competition for wood pellets while concentrating purchasing power in the hands of one company.

According to the Wood Pellet Association of Canada, Pacific Bioenergy had an estimated output of 400,000 tonnes of wood pellets per year. The purchase agreement commits Drax to meet 200,000 tonnes per year in sales agreements negotiated by Pacific Energy with various overseas customers.

When Pacific Bioenergy's pending closure occurs in less than a month's time, British Columbia will have 13 pellet mills of which seven will be directly or partially controlled by Drax. When the output of its mills is considered against the total output of all pellet operations in the province plus the added requirement of Drax meeting Pacific Bioenergy's sales contracts, Drax will control more than two thirds of all of the province's wood pellet output.

Our estimate is that Drax has an even greater control of pellet production in Alberta at 82 per cent of the provincial total. And that in Canada as a whole, Drax controls 44 per cent of all of the nation's current estimated pellet mill output.

We believe that this level of corporate concentration runs counter to the notion of healthy competition, and that ultimately it will harm both our publicly owned forests and forest industry workers, tens of thousands of whom have lost their jobs in the last 20 years due in part to increased corporate concentration. We urge you to investigate whether such a level of concentration serves the interests of Canadians, and if it does not whether Drax should be ordered to divest itself of certain assets.

In closing, we note that our respective organizations – two unions representing workers in various forest product manufacturing enterprises, a conservation organization dedicated to protecting more primary forests in the north of the province (primary forests are those not previously disturbed by industrial activities) and a public policy institute – came together a year ago to express concerns about a proposal to build by far the largest wood pellet mill in all of Canada.

If built in the British Columbia community of Fort Nelson, the mill would have an output of 600,000 tonnes of wood pellets per year, far surpassing anything currently in operation in the province. The mill would be the first in the country to be [purpose-built to turn whole trees directly into chips](#) that would then be made into pellets. This would mark a radical departure from what the pellet mills in the province were originally built to process, which was the so-called wood waste or "residuals" in the form of wood chips generated at sawmills when round logs were turned into rectangular lumber products.

Our organizations remain opposed to that proposed project on the grounds that it will generate very few jobs relative to what is logged and that it will accelerate logging of northern British Columbia's already significantly diminished primary forests.

We are even more concerned at this juncture at the possibility that the province's dominant player in the wood pellet industry may have its eyes set on securing the output of the Fort Nelson mill, should it be built. This would dramatically increase Drax's monopoly position in the province, an eventuality that we feel strongly that you should consider when analyzing the company's operations in British Columbia.

In closing, we urge the Competition Bureau of Canada to examine Drax's recent acquisitions and determine whether or not they are undermining healthy competition in British Columbia, Alberta's and Canada's burgeoning wood pellet industry.

Sincerely,



Michelle Connolly
Conservation North



Scott Doherty
Unifor



Gary Fiege
Public and Private Workers of Canada



Ben Parfitt
Canadian Centre for Policy Alternatives, BC Office