

The Rt Hon George Osborne MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

30th September 2013

Dear Mr Osborne,

Re: Investors call for 2030 Decarbonisation Target

We welcome the Coalition Government's commitment to reform the UK's energy market and attract around £110 billion of capital investment to upgrade its electricity infrastructure over the next decade. This has the potential to secure the investment needed to deliver the reliable, diverse and low carbon technology mix that the UK needs to ensure a sustainable economic recovery.

As investors, we recognise the threat that climate change represents and many in our sector are tailoring investments accordingly. A recent survey by the Global Investor Coalition on Climate Change found that 70% of asset owners said climate change factors influenced their fund manager decisions in 2012¹.

Increasingly, the UK's economic growth, competitive advantage and the health of the job market will be determined by our response to climate change, energy security and commodity price volatility. Against this backdrop, it is essential for Government to provide investors with the long-term confidence they need to transform our electricity market and make investment decisions capable of driving wider economic growth.

The lack of a meaningful 2030 decarbonisation target in the Energy Bill is detrimental to this objective – exacerbating policy risk and investor uncertainty. In many cases, this increases the cost of capital and deters major investors, manufacturers and project developers from investing in the UK and creating jobs. For example:

- A PwC report outlines that a 2030 decarbonisation target needs to be set before 2016. To delay the establishment of a target until after the next general election will affect investment decisions being made now²
- EY states that the prospect of waiting until 2016, for even the possibility of a 2030 target to be addressed, has “left investors with a sense of uncertainty”³

¹ Global Investor Coalition on Climate Change (August 2013) “Global Investor Survey on Climate Change. 3rd Annual Report on Actions and Progress.”

² PwC (March 2013) *Attracting investment in UK renewables - Will the UK succeed?*

³ EY press release, 26th February 2013, “Once in a generation” Energy Bill falls short of expectations, EY finds. <http://www.ey.com/UK/en/Newsroom/News-releases/13-02-26---Once-in-a-generation-Energy-Bill-falls-short-of-expectations>

- A Renewable Energy Association survey of leading UK low carbon companies shows that a “2030 target in the Energy Bill is seen as of major significance, and its absence is undermining confidence in investment in renewable energy and its supply chains”⁴
- A statement by The UK Energy Research Centre (UKERC) argues that: “The absence of a 2030 decarbonisation target in the Bill may not persuade investors of the need for new manufacturing assets in the UK, as there is a risk that these could be stranded after 2020 once the current targets have been met”⁵

Support for a decarbonisation target is widespread, as demonstrated when an alliance of over 50 of the UK’s largest businesses and industry bodies wrote to you last October, calling for a 2030 carbon target for the power sector⁶.

The signatories to this letter support the amendments to the Energy Bill, tabled at grand committee by the Lord Oxburgh KBE and expected to be retabled imminently for report stage, which require the inclusion of a 2030 carbon intensity target for the energy sector to be set in 2014 for implementation by 2030. These amendments are in line with recommendations made by the independent Committee on Climate Change, which has identified the least-cost pathway to decarbonisation by 2050 and one which could trigger significant growth opportunities for the UK.

Cc Rt Hon David Cameron MP, Rt Hon Nick Clegg MP, Rt Hon Ed Davey MP, Rt Hon Vince Cable MP, Rt Hon William Hague MP, Rt Hon Danny Alexander MP, Rt Hon Michael Fallon MP, Rt Hon Sajid Javid MP, Lord Deben (Chair of the Committee on Climate Change), John Cridland (Director General of the CBI).

⁴ Renewable Energy Association (March 2013) *Renewables Industry Confidence Survey*

⁵ UKERC press release (23rd November 2012) “UK Energy Research Centre responds to DECC’s announcement on the Energy Bill”

⁶ Letter to The Rt Hon George Osborne MP (8th October 2012) “Re: Power sector carbon intensity target essential to drive growth”.

<http://www.aldersgategroup.org.uk/asset/download/832/Letter%20to%20Chancellor.pdf>

Peter Young
Chairman, Aldersgate Group

James Cameron
Chairman, Climate Change Capital

Peter Michaelis
Head of SRI, Alliance Trust

Simon Shaw
Chairman, EEA Fund Management Ltd

Stephen Mahon
Director, Armstrong Energy

Sue Round
Director of Investments, Ecclesiastical
Investment Management

Steve Waygood
Chief Responsible Investment Officer
Aviva Investors

Paul Ellis, Chief Executive
Ecology Building Society

Matt Hale
Managing Director, Environment
Executive, Europe and Emerging
Markets (ex-Asia)
Bank of America Merrill Lynch

Ben Warren
Partner, EY

Michael Quicke
Chief Executive, CCLA Investment
Management Limited

Peter Dickson
Partner / Technical Director,
Glennmont Partners

Bill Seddon
Chief Executive, Central Finance
Board of the Methodist Church and
Epworth Investment Management

Colin Melvin
CEO, Hermes EOS



Ian Simms
Chief Executive
Impax Asset Management



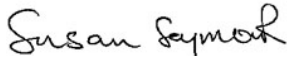
James Perry, CEO
Panahpur



John David, Investment Director
Rathbone Greenbank Investment



Natasha Landell-Mills
Head of ESG, Sarasin & Partners LLP



Susan Seymour
Trustee, Chair of Joseph Rowntree
Charitable Trust Investment
Committee



Peter Harrison
Global Head of Equities, Schroders



Sacha Sadan
Director of Corporate Governance
Legal & General Investment
Management



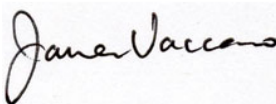
Catherine Howarth
CEO, ShareAction



Gareth Derbyshire
Chairman of the Investment
Committee and Trustee Director
M&S Pension Trust Investments



Iain Richards, Head of Governance
and Responsible Investment
Threadneedle Investments



James Vaccaro
Head of Market & Corporate
Development, Triodos Bank NV



Adam Bruce
Global Head of Corporate Affairs
Mainstream Renewable Power



Dr Richard Mattison
Chief Executive Officer, Trucost



Ben Goldsmith
Partner, WHEB Partners



Simon Howard
Chief Executive, UK Sustainable
Investment and Finance Association
(UKSIF)