

Rt Hon George Osborne
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
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c.c.

Huw Irranca-Davies, Chair, Environmental Audit Committee

Chris Leslie, Shadow Chancellor

Angus MacNeil, Chair, Energy and Climate Change Select Committee

Amber Rudd, Secretary of State for Energy and Climate Change

Andrew Tyrie, Chair, Treasury Select Committee

10th September 2015

Dear Chancellor

Boosting confidence in the UK investment framework

Over the past decade industry, government and investors have worked effectively together under a relatively stable policy framework to secure timely and cost-effective investment in essential national infrastructure. This supportive investment environment has resulted in progress in modernising and decarbonising our energy supply while creating tens of thousands of jobs.

We, the undersigned, support the Government's commitment to transition to a low-carbon economy while keeping consumer bills as low as possible. However, recent announcements in relation to renewable power have raised questions about the financial security of past UK energy investment. By threatening previously secure cash-flows several of these announcements have a quasi-retrospective element which will raise concerns particularly for low-cost capital and risk compromising further UK energy investment. Experience in other EU countries supports this interpretation. In particular, the removal of the Climate Change Levy exemption for renewable power and grandfathering rights and considerable cuts to subsidies for solar power run this risk. The unknown delay to the auctions for CfD contracts was also not expected.

The benefits from investment in renewables are wide ranging, especially when coupled with innovation in energy efficiency and storage. These include an increase to the UK's energy security, reduced exposure to volatile commodity prices and the creation of wealth for a more diverse community of owners rather than just utilities. There are also benefits to the electricity grid more generally, including reinforcing the electricity network by providing distributed generation capacity, reducing bottle necks and enabling consumers to benefit from the integration of clean energy sources while making sure the grid remains balanced.

As we head towards climate negotiations in Paris it is clear that the imperative to decarbonise energy systems is growing. Less than a quarter of the estimated £200 billion of required investment in the UK energy sector needed by 2020 has been made. A low risk environment is important for ensuring the cost of national infrastructure investment remains low. It is also clear that the renewable energy sector will have an increasingly important role to play in future.

As long-term investors, we believe the Government needs to set out clearly how it intends to continue down the path of decarbonisation. We urge you to introduce measures that bring greater security to the energy network and increase clarity and consistency to boost investor confidence in the future, and we are prepared to work with you to achieve this.

Yours sincerely,

Simon Howard, Chief Executive, **UK Sustainable Investment and Finance Association**

Lisa Ashford, CEO, **Ethex**

Matthew Clayton, Executive Director, **Triodos Renewables**

John David, Head of Rathbone Greenbank Investments, **Rathbone Greenbank Investments**

Paul Ellis, Chief Executive, **Ecology Building Society**

Julia Groves, Chief Executive, **Trillion Fund**

Karl Harder, Managing Director, **Abundance Generation**

Pierre Jameson, Chief Investment Officer, **Church of England Pension Board**

Tom Joy, Director of Investments, **The Church Commissioners**

George Latham, Managing Partner and Chief Investment Officer, **WHEB Group**

Karen McGrath, Head of Sustainability, **Kempen Capital Management**

Charles Middleton, Managing Director, **Triodos Bank**

Meryam Omi, Head of Sustainability, **Legal and General Investment Management**

Michael Quicke OBE, Chief Executive, **CCLA**