

09 May 2016

Rt Hon Amber Rudd MP
Minister of State for Energy and Climate Change
3 Whitehall Place
London SW1A 2AW

Dear Secretary of State,

I am writing to you regarding the fifth carbon budget which, as you know, will cap UK emissions for the period 2028-32 and represents the next step towards achieving GHG emission reductions of 80% by 2050 as required under the Climate Change Act.

As you may know, the UK Sustainable Investment and Finance Association (UKSIF) promotes sustainable and responsible investment (SRI) in the UK. We have around 240 members comprising asset owners, institutional and retail fund managers, banks, research providers and consultants. Together we support a financial services sector that advances sustainable economic development, enhances quality of life and that sustains our environment. More information about UKSIF and our work is available at www.uksif.org.

Our members are acutely aware of risks inherent in climate change as well as the need for private capital to support the transition to a net zero-carbon economy. We have also known for some time that the longer we take to meet our climate change targets the more expensive it will become. It is for this reason **we were happy to see the Committee on Climate Change recommend that the fifth carbon budget be legislated at 1,765 MtCO₂e and we fully support that recommendation.** Including emissions from international shipping, that would limit annual emissions to an average 57% below 1990 levels and would keep the UK on the most cost-effective path to the 2050 goal.

Over the past 12 months the Government has made various announcements that have rocked the confidence of investors wishing to finance projects geared towards combatting climate change. Such announcements have included the removal of the exemption for renewables in the climate change levy, cuts to renewables subsidies and the cancellation of the CCS competition in November. We believe that acceptance of the CCC's recommendations and adoption of the fifth carbon budget will provide a meaningful signal to investors that the Government is serious about meeting our climate change targets. Many investors operate with long-term time horizons and are looking up to 10 years ahead to finance projects: legislating for the fifth carbon budget would deliver the much-needed confidence boost to continue that investment in the low-carbon infrastructure needed to meet our 2050 target.

As you make your decision on whether to accept the CCC's recommendations please consider that investors in the UK are keen for the Government to be as ambitious as possible. They want the UK to remain a leader in tackling climate change and are willing to provide the capital to do so.

Yours sincerely,



Simon Howard
Chief Executive

UK Sustainable Investment and Finance Association (UKSIF)