8 October 2012

Re: Power sector carbon intensity target essential to drive growth

Dear Chancellor,

The UK’s economic growth, competitive advantage and the health of our job market will increasingly be determined by our response to climate change, energy security and commodity price volatility. Failure to act at sufficient scale and pace will undermine our prosperity and cause us to miss out on the huge commercial opportunities associated with the global shift to a low carbon, resource efficient economy.

Four years ago, cross-party consensus on this delivered the world’s first ever Climate Change Act – creating a robust model for others to replicate internationally and spurring on an important high-growth industry domestically. But now the Government’s perceived commitment to the low carbon transition is being undermined by recent statements calling for unabated gas in the power sector beyond 2030 and the absence of a specific carbon intensity target.

The Committee on Climate Change has advised the Government that extensive use of unabated gas-fired capacity in 2030 and beyond is incompatible with meeting legislated carbon budgets.

The Committee also warns that the resulting uncertainty is already damaging low-carbon business development, capital allocation, innovation and supply chain investment. Analysis by the CBI finds that – although a third of the UK’s economic growth in 2011/12 is likely to have come from green businesses – current policy uncertainty could result in the UK losing almost £400m in net exports in 2014/15 alone.

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 investments capable of driving wider economic growth. The signatories of this letter support the recommendation by the Energy and Climate Change Committee that Government should set a 2030 carbon intensity target for the power sector in secondary legislation, with a reference to this in the next draft of the Energy Bill.

Cc Rt Hon David Cameron MP, Rt Hon Nick Clegg MP, Rt Hon Ed Davey MP, Rt Hon John Hayes MP, Rt Hon Danny Alexander MP, Rt Hon Sajid David MP, Rt Hon Vince Cable MP, Rt Hon William Hague MP, Lord Deben (Chair of the Committee on Climate Change), Rt Hon Tim Yeo MP (Chairman of the Energy & Climate Change Select Committee), John Cridland (Director General of the CBI).