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.

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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?
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”

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”

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 sector.

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, Rt Hon Sajid Javid MP, Lord Deben (Chair of the Committee on Climate Change), John Cridland (Director General of the CBI).

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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"
Peter Young  
Chairman, Aldersgate Group

Peter Michaelis  
Head of SRI, Alliance Trust

Stephen Mahon  
Director, Armstrong Energy

Steve Waygood  
Chief Responsible Investment Officer  
Aviva Investors

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

Michael Quicke  
Chief Executive, CCLA Investment Management Limited

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

James Cameron  
Chairman, Climate Change Capital

Simon Shaw  
Chairman, EEA Fund Management Ltd

Sue Round  
Director of Investments, Ecclesiastical Investment Management

Paul Ellis, Chief Executive  
Ecology Building Society

Ben Warren  
Partner, EY

Peter Dickson  
Partner / Technical Director, Glennmont Partners

Colin Melvin  
CEO, Hermes EOS
Ian Simms
Chief Executive
Impax Asset Management

John David, Investment Director
Rathbone Greenbank Investment

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

Sacha Sadan
Director of Corporate Governance
Legal & General Investment Management

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

Adam Bruce
Global Head of Corporate Affairs
Mainstream Renewable Power

James Perry, CEO
Panahpur

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

Peter Harrison
Global Head of Equities, Schroders

Catherine Howarth
CEO, ShareAction

Iain Richards, Head of Governance and Responsible Investment
Threadneedle Investments

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

Dr Richard Mattison
Chief Executive Officer, Trucost
Ben Goldsmith
Partner, WHEB Partners

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