Investors call on Chancellor for greater clarity on energy policy

Press Release, Monday 30 September 2013

A group of investors responsible for over a trillion (£) of investment worldwide has written to the Chancellor on the day of his speech to the Conservative Party Conference calling for a decarbonisation target to be included in the Energy Bill. They argue that the lack of a target inhibits investment decisions and negatively impacts the UK’s ability to attract the capital needed to update its ageing infrastructure.

The UK’s electricity network needs a capital investment of an estimated £110 billion to make it fit for the twenty-first century and able to deliver affordable, secure and low carbon power. To achieve this, it is essential for Government to provide investors with the long-term confidence they need to transform the electricity market and drive economic growth.

The letter states that “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.”

It calls for the inclusion of a 2030 carbon intensity target for the energy sector to be set in 2014 for implementation by 2030, in line with recommendations made by the independent Committee on Climate Change. This has been identified as the least-cost pathway to decarbonisation by 2050 and would trigger significant growth opportunities for the UK.

This call from investors follows a drive from over 50 leading businesses, who wrote to the Chancellor on the day of his conference speech last year with a similar demand. The failure to act has further damaged investor confidence in energy policy.

Steve Waygood, Chief Responsible Investment Officer at Aviva Investors, who signed the letter said: “As investors, we acknowledge that climate change represents a significant threat to global GDP and consequently the value of the assets we manage. We are increasingly factoring climate change risks into the decisions we make, but the confusion over medium-term energy policy is a significant impediment. We call on the Chancellor to support legally binding decarbonisation targets, which will benefit all stakeholders in the investment chain.”

Ben Warren, Partner at EY, who signed the letter said: “The UK has the potential to offer a safe harbour for renewable energy investors in Europe, but the delay in delivering a stable policy framework is weakening our prospects and holding back investment. It is essential that this Government commits to a clear direction of travel towards a decarbonised energy system, with the inclusion of a meaningful 2030 decarbonisation target in the Energy Bill as a first step.”

Andrew Raingold, Executive Director of the Aldersgate Group, which co-ordinated the letter with the UK Sustainable Investment and Finance Association (UKSIF), said: “The Chancellor’s lack of support for a decarbonisation target in the Energy Bill is completely out of kilter with mainstream business and investor opinion. Such a target would provide certainty to investors, energy generators and their supply chains, giving a much needed investment boost to the UK economy.”
“At last year’s Conservative Party Conference over 50 of the UK’s largest businesses sent a candid message to the Chancellor that he must put an end to political uncertainty around the UK’s energy future and start unleashing billions of pounds of overdue investment. The failure to act over the last twelve months has further damaged business confidence, leading to this latest intervention from concerned investors.”

Simon Howard, Chief Executive of UKSIF said: “The continued investor support for a 2030 decarbonisation target highlights the significant appetite for the UK to lead the world in low-carbon energy solutions and to ensure security of supply. Both investors and businesses are looking for a clear commitment from Government to further boost investment in an area which provides exceptional opportunities for long-term growth”.

“The Chancellor should now respond to our coalition’s call and use the Energy Bill to provide the stable and coherent policy framework to support the long-term investment decisions which are vital for sustainable economic growth”.

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Notes to Editors
The letter to the Chancellor is available on the UKSIF website here. The letter from over 50 businesses sent to the Chancellor (8 October 2012) can be found at: http://www.aldersgategroup.org.uk/news/2012/page:2?ext=html.

The Aldersgate Group is an alliance of leaders from business, politics and civil society that drives action for a sustainable economy. We seek to trigger the change in policy required to address environmental challenges effectively and secure the maximum economic benefit in sustainable growth, jobs and competitiveness.

The UK Sustainable Investment and Finance Association (UKSIF) is the membership network for sustainable and responsible financial services. It promotes responsible investment and other forms of finance that support sustainable economic development, enhance quality of life and safeguard the environment.

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