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**Subject:**

Electricity Market Reform consultation

The Construction Products Association represents an industry with a turnover in the UK of over £50 billion and employs over 500,000 people in some 25,000 companies. Within the membership of the Association are the 24 largest companies in the industry and 44 sector specific trade associations. These sector trade associations to which this consultation document is relevant have made their own detailed submission on specific points relevant to them. In our response we simply want to raise a few general points that have been raised by our major companies and our trade association members at their meetings earlier this week and which we discussed at a lunch meeting with Charles Hendry on Tuesday.

The price of energy and the long term security of supply are two of the most important issues that the major international companies in our sector consider when deciding where to make future investment. The government therefore has an extremely important job in providing the right kind of incentives to ensure that there is investment in the electricity market in the UK but not setting the price to achieve this at such a level that the companies that need this energy move away to other countries in Europe or beyond. There is no doubt that this is a very serious threat and whilst it might lead to the UK emitting less carbon it would relocate the jobs and economic activity that the country needs, but not reduce the need for the products. It would almost certainly increase the UK's carbon consumption as has been happening over the last 20 years. It would be a lose/lose scenario for the UK.

Our specific points in response to the proposals are:

- Any programme for electricity market reform must have alongside it a clear programme for ensuring that energy intensive companies in the UK can retain their international competitiveness
- Proposals to introduce a carbon floor price (as outlined in the separate Treasury consultation document) must be delayed until 2017 at the earliest. Prior to that we are penalising industry without the benefit of additional supplies of energy and the energy companies are being provided with an advance bonus for their investment. It is a total distortion of the energy market.
- We need to look across government in a more holistic way at our energy policy and do far more to reduce energy consumption thereby saving on the scale of investment we need in new supply. Simple measures costing only £100 to each of the central heating boilers in our existing housing stock would save the equivalent of 2 power stations. That would provide a much better return on investment and make a much bigger contribution to the government's carbon reduction commitments.

We are happy to expand on any of these points if it would be helpful

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**Construction Products Association**  
26 Store Street, London WC1E 7BT

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