



Charles Hendry MP
Energy Minister
Department for Energy and Climate Change
3 Whitehall place
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7th June 2011

Dear Charles

I am writing following the recent UKBCSE meeting. There was some discussion about the impacts of the carbon price floor at the meeting, and I wanted to write to reiterate EDF Energy's position.

EDF Energy believe that a robust and predictable carbon price, set by the carbon price floor mechanism, will have a major impact in delivering multibillion investments in renewables, biomass, efficiency measures, and in new and existing nuclear. These investments will deliver a major boost to low carbon jobs and growth in the UK in the coming years.

We have said for some years that a carbon price floor will be a major factor supporting delivery of new nuclear. It will also support the economic case for extension of life of existing stations. We already spend £300 million each year on our existing fleet, and will spend around a further £50 million per reactor to deliver life extensions, which will make a major short term contribution to security of supply and decarbonisation. The price floor will also provide a clear and escalating price signal to investors considering high carbon emitting plant.

We believe there is no reason why the introduction of a carbon price floor should reduce the UK's competitiveness as some observers have suggested. We agree with DECC's analysis that in the longer term, bills are likely to be 4% lower than they would otherwise have been without the price floor. We also note that with strong investment in nuclear, the UK can expect stronger price stability with consequent benefits for business. In the shorter term, we welcome the measures introduced by Government such as the increased Climate Change Agreement discount.

We have close relationships with many major energy users – as their supplier – and we are engaging directly with them on this issue. We are also working to help business customers mitigate any price rises by providing energy services expertise and engineering based programmes to reduce usage.

I hope that this is a useful summary of our views. As ever we look forward to continuing to work with you and your team as you remove the barriers to investment in low carbon generation.

Yours sincerely,

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