

Scan Sheet

**eCase - Attach To
Case**



4128/48

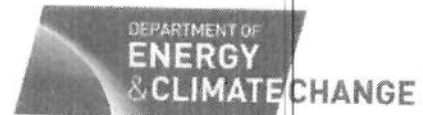
Operator

Sheet Number

P Number

4128

48



Gregory Barker MP

Minister of State

Department of Energy & Climate Change

3 Whitehall Place

London

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www.decc.gov.uk

Our ref: PO2011/08751/JH

Will Savage Esq
Chief Executive
Aluminium Federation Ltd
National Metalforming Centre
47 Birmingham Road
West Bromwich
B70 6PY

13 June 2011

Dear Mr Savage,

Thank you for your email dated 5 May, to both Chris Huhne and me, regarding concerns about the affect of the next phase of the European Union Trading Scheme (EU ETS). I am replying as this matter falls within my portfolio.

I recognise the concerns you raise about the possible impact of increased electricity prices on industry and understand that it will be more challenging for some energy intensive industries to decarbonise. The Coalition Government is dedicated to safeguarding the UK's strong manufacturing base, whilst reducing carbon emissions and increasing energy security.

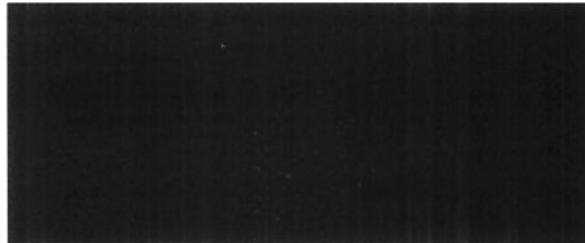
With regard to the indirect costs of the EU ETS, we consider the number of sectors at risk of carbon leakage as a result of indirect emissions (as a result of EU ETS related increases in electricity prices) to be limited, this view is supported by published research.

I agree that, as the provision for financial compensation in the Directive is voluntary, there is the potential for intra-EU competitive distortion where one Member State chooses to compensate and others do not. We are mindful of this and, as a result, the UK response to the recent European Commission questionnaire on this issue urges the Commission to ensure that only those sectors at significant risk are identified as eligible for compensation.

No decision has yet been taken on whether the UK will compensate for indirect effects. We are still awaiting details from the Commission as to how the measure might be applied and the extent of the coverage, and will make a decision on the basis of the revised state aid guidelines.

As set out in the recent Fourth Carbon Budget Statement, Government will announce by the end of the year a package of measures for the Energy Intensive Industrial sector whose international competitiveness is most affected by UK energy and climate change policies. This will focus on reducing the impact of Government policy on the cost of electricity for those businesses which are critical to our growth agenda.

Yours sincerely,



GREGORY BARKER

A handwritten mark, possibly a checkmark or a stylized signature, located below the name Gregory Barker.