

25 May 2010

Gregory Barker MP
Minister of State for Climate Change
Department for Energy and Climate Change
3 Whitehall Place
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Please accept my warmest congratulations on your appointment as Minister of State for Climate Change.

We agree with the government that the top priority is to address the UK's fiscal position. We need a sustainable, clear and robust path to budget balance by 2015-16, with the focus on curbing current spending rather than further tax increases or capital spending cuts. This is the top action in the CBI's 12 point plan for the new government, enclosed.

The CBI strongly supports the need to shift to a low carbon economy and believe that this is also a major opportunity for the UK. We look forward to working with you to ensure we meet our carbon reduction targets in a way that is cost effective.

Immediate progress can and must be made on energy efficiency to cut the £15m the UK is wasting every day in gas and electricity bills. We are keen to see more households and businesses incentivised to take up cost-effective opportunities to cut energy demand. We therefore welcome your intention to introduce a green deal for households and would be very happy to help work on the detail of this scheme. We also support the CRC Energy Efficiency Scheme, but it is a complex regulation and therefore needs to be implemented in a way that doesn't impose a disproportionate burden on participants.

One of the biggest challenges ahead lies in the urgent need to attract major investment to replace our ageing energy infrastructure with a diverse and secure energy mix. We need a robust planning system that delivers timely decisions for all new energy infrastructure.

We believe the policy framework should support a significant expansion of renewable, although we have real concerns about the cost of an overly-ambitious target for renewable. We need fossil fuel



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power stations with CCS and your support for CCS demonstration funding is welcome although we are wary about introducing an Emissions Performance Standard. We will work with you on finding the right solution to the clear need to improve market mechanisms to promote low-carbon investment, particularly for new nuclear – be it a floor price or an equivalent measure.

The UK's efforts to cut emissions will have limited value if international climate negotiations fail, and we support the government's efforts to secure a successful agreement. A global framework, with clear and comparable targets from all major economies, is essential to encourage investments in low-carbon technologies at the scale we need. For these reasons, business believes it is still premature to unilaterally raise the EU target above -20%.

At an EU level, we need to move beyond the debate on the headline target, and focus on delivering a comprehensive climate strategy which promotes energy efficiency, supports innovation and protects competitiveness, while re-affirming the UK and EU's leadership in international climate negotiations.

We would be delighted if you would agree to meet at the earliest opportunity to discuss these issues in more detail. My office will be in touch with yours to find a date at your convenience.

We would also like to invite you to provide the keynote speech at an event we are holding on the morning of Thursday 16th September. This would be an ideal opportunity for you to discuss some of your early priorities with senior representatives from the business community.

I wish you every success in your new role and look forward to working with you.