

Sent: 19 February 2010 16:38
Subject: CBI position on Energy Bill

Hello,

In advance of the Energy Bill's report stage in the House of Commons I wanted to set out the CBI's concerns on proposals for an Emissions Performance Standard. There is currently an amendment tabled for report stage which proposes the inclusion of a plant-level emissions performance standard (EPS) in the Bill.

The CBI is opposed to this proposal.

The commercialisation of Carbon Capture and Storage (CCS) will be vital to the decarbonisation of the power sector

The CBI's 2009 energy report, *Decision Time*, supported the Committee on Climate Change's (CCC's) view that to achieve our legally binding carbon reduction targets, UK electricity generation must be largely decarbonised by 2030, with substantial progress made by 2020. Of equal importance is retaining our security of supply during the transition to low-carbon generation, which we believe can only be achieved through a diverse range of generating technologies and fuels, including fossil fuels. However, to ensure that the continued use of fossil fuel, and in particular coal, is compatible with our carbon targets, the demonstration and commercialisation of CCS is crucial.

To this end, the CBI supports the government's current position on coal: funding 4 demonstration projects through a CCS levy with the possibility of extending the levy to fund future retrofit; prohibiting the development of new unabated coal plants; and the requirement for all new fossil-fuelled power stations to be Carbon Capture Ready.

An EPS would add no carbon savings beyond those already guaranteed under existing policy

Emissions of CO₂ in the power sector are determined by a tightening cap under the EU Emissions Trading Scheme (EU ETS). Therefore setting an EPS for the electricity sector will add no environmental benefit further to this existing policy. The CBI believes that the EU ETS should remain the principal policy instrument to deliver absolute reductions in carbon emissions by providing sufficient incentive for market participants to direct their investments towards low-carbon energy generation.

Furthermore, we believe that, once technically and commercially proven, CCS will effectively become the Best Available Technology for new coal power stations, and an EPS would therefore be an unnecessary additional measure.

An EPS could deter investment in CCS which would have an adverse impact on energy security

Introducing an EPS risks the unintended consequence of diverting investment away from UK clean coal, and towards CCS projects in countries where the risk profile is lower. Substantial investment is needed in low-carbon power generation in the next 20 years and, given the constraints on public finances, this is likely to come from global capital markets. Investors and companies with global options require a stable policy and regulatory framework. Therefore the imposition of an arbitrary EPS may in effect act as a barrier to investment. A reduction in this critical flexible capacity may result in a narrower generating base, thus having significant implications for energy security.

Please do not hesitate to contact me if you would like to discuss the CBI's position in further detail.

Best wishes
Neil

Dr Neil Bentley
Director, Business Environment
CBI, Centrepoint, WC1A 1DU