

1<sup>st</sup> November 2016

Dear the Rt Hon Philip Hammond MP, Chancellor of the Exchequer,

**We strongly support maintaining UK Carbon Price Support at least at its current level into the 2020s and urge the Government to make this commitment in the 2016 Autumn Statement.**

The Government's Carbon Price Support is helping to make remarkable progress in the decarbonisation of the UK's electricity, and delivering where the EU ETS currently is not:

- **Coal emissions have fallen by over 80% since 2012, reducing *total* UK CO2 emissions by 18% in just four years** (see attached briefing note).
- It helps incentivise renewables. First by reducing payments under CfDs, and thus easing the pressure on future financing of low carbon generation. Second by providing market incentives for onshore wind, which is without policy support.
- It helps incentivise energy efficiency and demand side response.

Ongoing Carbon Price Support is vital for supporting the diverse range of actions needed for the transition to a low carbon economy and ensures that this transition is more cost-effective, smoother and timely. Extending the current Carbon Price Support level beyond 2020 will give additional certainty to the market and investors that the Government is committed to its carbon budgets.

In particular, it is a key element of delivering the Government's commitment to phasing out coal by 2025. Removing the Carbon Price Support will not only halt the recent decline in coal-fired electricity generation, but it would unwind it, as existing coal power plants would run 24/7 again, and invest to extend their lives. The rest of the world is realising the "quick win" to reduce CO<sub>2</sub> is tackling coal power, and the UK is showing how quickly this can be done in a positive and market-based approach.

While we recognise the level of Carbon Price Support in the UK is well above prices in the EU ETS, it is not high compared to where the EU carbon price was expected to be by now: the Commission's Impact Assessments assumed a price of €30 (£27). The Carbon Price Support also bears comparison to carbon taxes in other jurisdictions - for example, the Canadian Prime Minister has just announced a carbon floor price, which rises from C\$10 (£6) in 2018 to C\$50 (£30) in 2022.

**We therefore urge you to set out a clear commitment in the 2016 Autumn Statement to continuing Carbon Price Support, at least at the current level, into the 2020s.**

Yours sincerely,



Debbie Stockwell  
Managing Director, Sandbag