

# Response by the UK Business Council for Sustainable Energy

## An effective carbon levy for the UK: A consultation by the Conservative Party

### INTRODUCTION

The UK Business Council for Sustainable Energy brings together the key players in the energy sector to develop an effective dialogue with Government that can help strengthen the UK's strategic agenda for sustainable energy.

The Council welcomes this consultation by the Conservative Party on an effective carbon levy for the UK.

### KEY POINTS

#### A stable investment framework

For investment in sustainable energy infrastructure to occur, there is a need for clarity about the carbon price in the medium to long-term.

The Council believes that the EU ETS should be the main vehicle for delivering a stable, predictable framework to underpin the long-term value of carbon.

It is critical that other UK Government policies and initiatives do not undermine the EU ETS.

In the short-term, the Council supports the consideration of other measures to reinforce the operation of the EU ETS in the UK should this be necessary to provide greater certainty to investors. However, the main focus for the UK should be ensuring the effective operation of the EU ETS.

The Council's members do not, at this stage, believe that the planned Climate Change Bill requires annual binding targets to provide a stable investment climate in the UK – provided that there is a clear trajectory for carbon abatement to 2050, and processes in place to effectively and transparently measure progress each year.

#### A coordinated and integrated approach

It is important that consideration be given to the interaction between different climate change and energy policies to ensure a coordinated approach that minimises overlaps and reduces carbon leakage.

In particular, the interaction between upstream measures, such as the EU ETS, with downstream initiatives like the Climate Change Levy and the Energy Performance Commitment must be clearly understood.

For example, the initial phase of the EU ETS covers the power sector and energy-intensive industrial sectors. This includes electricity generators, which means that electricity consumption in the UK is covered to some extent by the EU ETS.

It is worth noting that the Climate Change Levy was introduced ahead of the EU ETS. As the EU ETS gains traction, it is timely to consider what policies best support the effective operation of the EU ETS and drive additional carbon abatement in the UK. It is also important to note that EU law does require a minimum level of energy taxation.

Also - the Government has recently consulted on a proposed Energy Performance Commitment for the large non-energy intensive sector, which should inform the future of the Climate Change Levy scheme.

#### Focussed and targeted activity

To maximise the effectiveness of activity in the business sector, there needs to be clarity about what a scheme is aiming to deliver, and the rationale behind its detailed design.

As a general principle, policies to reduce greenhouse gas emissions need to be directed at those who are best placed to influence the desired outcome.

In addition, the administrative burden to business needs careful consideration given the range of carbon abatement measures that businesses are already subject to.

## **CONCLUSION**

The Council welcomes the opportunity to contribute to the Conservative Party's process for developing its sustainable energy policies.

The Council supports action by Government to drive the uptake of energy efficiency and reduce greenhouse gas emissions across the economy in a way that does not reduce international competitiveness.

We look forward to continuing to work with the Conservative Party to ensure an open and effective dialogue with our members about making the transition to a sustainable energy future.

**UK Business Council for Sustainable Energy  
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The views expressed in this paper cannot be taken to represent the views of all parts of all the companies in the UKBCSE. However, they do reflect a general consensus.