



Sir Nicholas Stern
Stern Review
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9 December 2005

Dear Sir Nicholas

REVIEW OF THE ECONOMICS OF CLIMATE CHANGE

The Association of Electricity Producers (AEP) is the UK trade association representing electricity generators. It has some 100 members ranging from small firms to large, well-known PLCs. Between them they embrace nearly every generating technology used in the UK, including not only conventional large-scale generation but a variety of technologies, some of them innovative.

The Power Generation Sector has made the greatest contribution to the reduction of CO₂ emissions in the UK since 1990 through a combination of fuel switching and renewable energy project development and is set to play a key role in the EU Emissions Trading Scheme (EUETS). Indeed, in Phase 1 of the EUETS, the Sector is the only one that will suffer a significant shortfall in its allocation of CO₂ emissions allowances compared to those that it is projected to require if it continues to operate on a “business as usual” basis.

An ageing portfolio of coal and oil fired power stations and the steady retirement of nuclear stations suggest a massive requirement for investment in new power stations in the next ten years. If the UK is to make effective progress toward its aims under the Kyoto agreement and its 2020 and 2050 goals, low or zero carbon emissions technologies will be required for the new power stations. There is a wide range of technology options available, but, in today’s market and with present emissions reduction measures, very few of those options make business sense to companies that might wish to invest in low carbon electricity production. The Sector needs the Government to provide a coherent suite of policy instruments to define the UK’s strategic approach to climate change, giving sufficient clarity about the future of the carbon market to reduce investment risks, particularly for large capital projects. We also consider that, given the enabling role of electricity in many possible low-carbon solutions, the Power Generation Sector needs to be given special consideration in any study of the transition to a low-carbon economy.

We are keen to contribute to your Review, but the terms of reference are so broad that it is difficult to judge how we might assist most effectively and what evidence we might usefully provide. May I suggest that we arrange a short meeting to discuss the scope of evidence that your team would find most useful? For the time being, I attach a copy of our position paper (EnvC 119/05) on the implementation of EUETS Phase 2 in the UK, which I trust will contain some helpful initial observations.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'D. Porter', with a stylized flourish at the end. There are some small marks around the signature, possibly from a scanner or a pen.

David Porter
Chief Executive
Association of Electricity Producers

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