



Institutional Investors Group on Climate Change

The Rt. Hon Ed Miliband MP  
Department for Energy and Climate Change (DECC)  
7<sup>th</sup> floor, 3-8 Whitehall Place  
London SW1A 9HH

17 December 2008

Dear Secretary of State

**New coal-fired power generation in the UK**

The Institutional Investors Group on Climate Change (IIGCC) is a European-wide forum for leading asset owners and asset managers to promote the assessment and active management of the investment risks and opportunities associated with climate change. The group currently comprises over 40 members with assets under management in excess of £ 3 trillion. A list of our members is provided overleaf.

We wrote to your predecessor John Hutton at the Department for Business, Enterprise and Regulatory Reform in March this year outlining our concerns that the consent process for Kingsnorth, Kent, may set a precedent for a new series of coal-fired power plants in the UK and that this may turn out to conflict with the government's carbon targets. We would now like to draw your attention to these concerns in your new role as Secretary of State at DECC.

As long term investors we consider that credible and effective climate change policy is critical for protecting and enhancing the value of our investments on behalf of our clients and beneficiaries. Given the retirement of high carbon capacity expected over the next decade or so we believe that this represents a singular opportunity to decarbonise electricity and through doing so build the foundations of a low carbon economy in the UK.

We do not necessarily oppose the Kingsnorth plant's construction *per se*, but we do not feel that government has provided sufficient clarity as to the future of unabated coal in the UK energy mix and how unabated coal will be consistent with achieving climate and renewable targets. We would ask the government to ensure this is clearly and transparently evaluated in the consent process for Kingsnorth and that you publicly set out the near and long-term policy goals that you have for coal.

Such a statement should include clear guidelines on how future power plant investments can be both consistent with the government's targets as well as being economically

Institutional Investors Group on Climate Change  
c/o The Climate Group, Tower Building, 3<sup>rd</sup> Floor, York Road, London SE1 7NX  
Tel: +44 (0) 207 960 2987 Email: [stephanie.pfeifer@iigcc.org](mailto:stephanie.pfeifer@iigcc.org) Web: [www.IIGCC.org](http://www.IIGCC.org)



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viable. We would also like further guidance on how the government defines 'capture ready' and clarity on whether CCS retrofit will be mandatory at some future date or, if not viable, what the policy for unabated coal will be as this is likely to be pivotal in the investment case for new coal plants. This would provide greater confidence to investors that the government has a clear framework for moving to a low carbon economy.

We remain concerned that a consent for Kingsnorth without clarity on these issues will add to uncertainty over the alignment of the energy policy framework with climate objectives. Should the government decide that this warrants wider consultation, we would look forward to participating.

Yours sincerely,

On behalf of the IIGCC,

A handwritten signature in black ink, appearing to read 'P. W. Dunscombe', with a long, sweeping underline.

**Peter Dunscombe**

Chairman, IIGCC

Head of Pensions - Investments, BBC Pension Trust Ltd



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## IIGCC Membership, December 2008

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| APG Investments                                  | Hermes   |
| Aviva Investors                                  | HgCapital  |
| Baptist Union of Great Britain*                  | HSBC Investments                                       |
| BBC Pension Trust                                | Impax Asset Management                                 |
| Bedfordshire County Council Pension Fund         | Insight Investment                                     |
| BlackRock  | Joseph Rowntree Charitable Trust*                      |
| BMS World Mission*                               | Kent County Council Pension Fund                       |
| BNP Paribas Asset Management                     | London Borough of Hounslow Pension Fund                |
| CB Richard Ellis Investors                       | London Borough of Islington Pension Fund               |
| CCLA Investment Management                       | London Borough of Newham Pension Fund                  |
| Central Finance Board of the<br>Methodist Church | London Pensions Fund Authority                         |
| Church Commissioners for England                 | Merseyside Pension Fund                                |
| Climate Change Capital                           | Northern Trust   |
| Co-operative Asset Management                    | PGGM Investments                                       |
| Corporation of London Pension Fund               | PRUPIM   |
| Cowen Asset Management                           | Schroders  |
| Credit Agricole Asset Management                 | South Yorkshire Pensions Authority                     |
| DWS Investments                                  | The Church in Wales*                                   |
| Environment Agency Pension Fund                  | The Roman Catholic Diocese of Portsmouth*              |
| Ethos Foundation                                 | The Roman Catholic Diocese of Salford*                 |
| F&C Management Ltd                               | United Reformed Church*                                |
| Generation Investment Management LLP             | Universities Superannuation Scheme                     |
| Greater Manchester Pension Fund                  | West Midlands Metropolitan Authorities<br>Pension Fund |
| Grosvenor Fund Management                        | West Yorkshire Pension Fund                            |
| Henderson Global Investors                       | William Leech Charitable Trust*                        |

\* part of the Church Investors Group