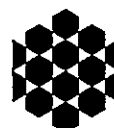


From the Office of the Minister



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Our Ref: DETI SUB 252/2013

Patsy McGlone MLA
Chairman
ETI Committee
Northern Ireland Assembly
Parliament Buildings
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BT4 3SW

12 June 2013

Dear Patsy

ELECTRICITY MARKET REFORM – LEGISLATIVE CONSENT MOTION POWER SECTOR DECARBONISATION

You will recall that in February 2013 the Assembly passed a Legislative Consent Motion (LCM) to extend the enabling powers for Electricity Market Reform (EMR) to Northern Ireland through the DECC Energy Bill 2012. The key aspects of EMR are the implementation of a Feed in Tariff with Contracts for Difference, a UK wide administration system, RO transition and the introduction of an Emissions Performance Standard. I am grateful to the Committee for their assistance in passing that LCM and for your support for EMR generally.

The DECC Energy Bill 2012 has been proceeding through Westminster since its introduction on November 29th 2012. The Bill achieved its second reading before Christmas and completed the Commons Committee stage on 7 February 2013. It is expected that, subject to the will of Parliament, the Bill will receive Royal Assent by the end of 2013. As part of that agreement, the Government announced that it would take powers through the Energy Bill to set a decarbonisation target range for 2030 in secondary legislation, and that a decision on exercising this power would be taken in 2016, once the Committee on Climate Change has provided advice on the Fifth Carbon Budget.

This commitment responded to a recommendation by the Committee on Climate Change, through pre-legislative scrutiny that a target should be set for 2030. This was subsequently taken up by other stakeholders as something that would help improve investor certainty by setting out the long term direction the Government envisaged for power generation in the UK. The Government has said that it does not propose to set any such target until 2016, when the Fifth Carbon Budget is due to be set, covering 2028-2032, so that the decarbonisation target range can be considered alongside the overall pathway of the economy towards 2050, and the interaction between the power sector and other parts of the economy such as heat and transport.

A GB amendment was subsequently tabled in February 2013 to provide a new power to allow the Secretary of State to set a decarbonisation target range for the power sector through secondary legislation. At that time this was a GB only provision as the Westminster timescales did not allow time for the tabling of a further LCM which is required to extend the power to Northern Ireland.



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The provisions added to the Bill at Commons Committee Stage permit the Secretary of State to set a decarbonisation target range for 2030 or subsequent years, and specify that a target range may not be set before the Government sets the Fifth Carbon Budget, which will cover the years 2028-2032. The Devolved Administrations must be consulted before a range is set, and the Secretary of State must also take into account a number of factors before setting a target, including scientific knowledge about climate change and economic circumstances, and in the case of Northern Ireland its operation in a different electricity market to GB. Once a decarbonisation target range has been set, the Secretary of State would have a duty to ensure that the carbon intensity of electricity generation in the UK is no greater than the upper end of the decarbonisation target range.

The power to set a decarbonisation target range complements the Electricity Market Reform framework set out in the Energy Bill, to which the Northern Ireland Assembly agreed in February 2013. A decarbonisation target provides the context for the trajectory expected for the power sector to 2030.

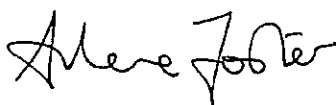
The view of industry and investors is that a target is needed, as a clear and unambiguous signal to encourage more renewable generation. Not having a long term commitment to decarbonisation fails to set a clear vision for the future energy mix and could create uncertainty for investors. It could also adversely impact on supply chain investment and development of projects to come on line after 2020.

The agenda for developing renewable energy solutions and securing real reductions in energy consumption to enhance sustainability is a key pillar of the endorsed Strategic Energy Framework (2010). In part, renewable energy deployment is also driven by environmental policy, aimed at reducing harmful emissions. This is a key aspect of moving towards a more decarbonised electricity supply in the future.

Given that a decarbonisation target will contribute to the broader climate change agenda and mirror the target setting process in the Climate Change Act, I have already written to the Environment Minister on this matter. He has confirmed his support for the setting of a 2030 decarbonisation target for the power sector.

I therefore intend to bring forward a paper to the Executive on the need for a Legislative Consent Motion to ensure that an amendment to the DECC Energy Bill 2012 can be made at Lords committee stage to extend the powers to set a 2030 power sector decarbonisation target to Northern Ireland. I hope you will agree with me that it is essential to improve investor certainty by setting out the long term direction envisaged for power generation.

Yours sincerely



ARLENE FOSTER MLA
Minister of Enterprise, Trade & Investment