

Rt Hon Caroline Flint MP  
Shadow Secretary of State  
for Energy and Climate Change  
House of Commons  
London SW1A 0AA

25 February 2013

Dear Caroline

I am writing in response to your letter of 7 February about the Emissions Performance Standard in the Energy Bill.

We have been very clear that the most important requirement to provide investor confidence and support investment in low-carbon power generation is to set a 2030 carbon-intensity target. This remains the key issue in our discussions with industry.

Although an Emission Performance Standard could provide a useful back-stop to a carbon-intensity target (i.e. a further signal of the Government's commitment to decarbonise the power sector), it is unlikely that this alone would pull through low-carbon investment.

An Emissions Performance Standard could be designed to be compatible with the carbon-intensity target that we have recommended. In particular, this would:

- Prevent operation of new gas-fired generation as baseload beyond a future date. In our scenarios reaching a sector carbon intensity of 50 gCO<sub>2</sub>/kWh, new gas generation would operate at load factors less than 50%, equivalent to an Emissions Performance Standard of around 235 gCO<sub>2</sub> / kWh in 2030<sup>1</sup>.

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<sup>1</sup> The EPS as currently drafted in the Bill will restrict a plant from emitting more than the equivalent from a plant operating for 85% of the year at 450g CO<sub>2</sub>/kWh. For a new coal plant operating at approximately 800g CO<sub>2</sub>/kWh, this would restrict operation to no more than 48% of the year. A new gas plant, operating at up to 400g CO<sub>2</sub>/kWh, would be able to operate over 95% of the year. In our

- Retain some flexibility: scope to loosen the Emissions Performance Standard would be desirable in the event of there being lower than envisaged investment in low-carbon generation, such that new unabated gas plant could then meet baseload demand and maintain security of supply. This would avoid a situation where demand would have to be met through generation from older and less efficient plant.

I hope this is helpful, and would be happy to discuss with you.

I am making this letter publically available for purposes of transparency and to contribute to debates about the Energy Bill.

Yours sincerely



David Kennedy, Chief Executive

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scenario for 2030, the fleet of gas plants are operating on average for 8% of the year. We estimate that the most efficient gas plant in the fleet could be operating up to 50% of the year. An EPS of 235g CO<sub>2</sub>/kWh is equivalent to an efficient gas plant operating no more than 50% of the year.