



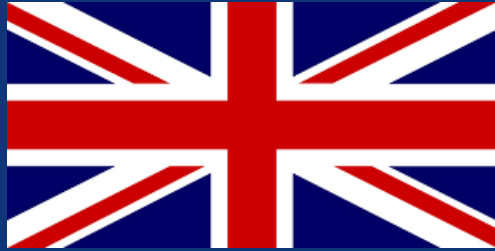
THE DEBATE ON THE ROLE OF CARBON PRICING IN THE POWER SECTOR

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CHANGE IS IN *OUR POWER*



- Carbon pricing is now being challenged by both Reform and the Conservatives.
- The government has announced the end of Carbon Price Support from 1 April 2028 – *“CPS has done its job and is no longer fit for purpose”*



- Range of political challenges to the EU ETS in recent months.
- Italian proposal to provide exemptions or subsidies for CCGT’s carbon costs. Austria has also called for CCGT plants to be exempt from the EU ETS

WHY IS POWER SECTOR CARBON PRICING BEING QUESTIONED?



Net Zero scepticism and concerns around UK/EU competitiveness



But - in addition - some more UK specific arguments..

Dispatch

Does power sector carbon pricing still materially impact the merit order?

Nothing comparable to coal-gas switching

New Build

Does power sector carbon pricing have any impact on what gets built?

Government contracting and SSEP is increasingly determining the generation mix

Electrification

Does power sector carbon pricing actually discourage electrification?

Gas sets the electricity price, so carbon pricing increases the cost of electricity

THE CASE FOR CONTINUED POWER SECTOR CARBON PRICING

