

13th February, 2013

Dear Members of the Environment Committee

Ahead of the Environment Public Health and Food Safety (ENVI) committee meeting scheduled for 19th February, the Institutional Investors Group on Climate Change (IIGCC), whose members represent EUR 7.5trillion in assets under management, calls on MEPs to support the European Commission's proposal to postpone the auction of carbon permits under the EU ETS.

The collapse of the carbon price and the direction of EU energy policy is creating uncertainty amongst investors and weakening the case for investment in Europe's low-carbon sector. IIGCC has supported the implementation of carbon markets because we believe that a market mechanism placing a price on carbon emissions can help to drive emission reductions by catalysing innovation and driving investment in low carbon solutions.

In April 2012, our members supported a statement¹ calling for **an immediate action to define and implement, as soon as possible, the back-loading of carbon allowances** to be followed by a structural review.

We, as a group of 81 investors with significant investment in the European power and industrial sectors, are calling for urgent action and **call on the Environment Committee to vote in favour of amendments supporting back-loading** and the Climate Change Committee to endorse the proposal as soon as possible.

Back-loading carbon credits is a crucial first step in tackling the structural problems underlying the Emissions Trading Scheme. A 'yes' vote would send a positive signal about the European Parliament's commitment to its flagship emissions reduction scheme and begin to restore investor confidence in the EU's energy policy.

We are happy to discuss this in further detail at your earliest convenience.

Yours sincerely,

On behalf of the IIGCC



Donald MacDonald

Chairman, IIGCC, Trustee Director of BT Pension Scheme

¹ See IIGCC Statement on EU ETS Reform, 18th April, 2012.

http://www.iigcc.org/_data/assets/pdf_file/0003/15357/IIGCC-Statement-on-EU-ETS-Reform-2012.pdf

IIGCC Membership February 2013

Amundi	Hudson Clean Energy Partners
AP1 (First Swedish National Pension Fund)	Impax Asset Management
AP2 (Second Swedish National Pension Fund)	Insight Investment
AP3 (Third Swedish National Pension Fund)	Joseph Rowntree Charitable Trust
AP4 (Fourth Swedish National Pension Fund)	Kent County Council Pension Fund
APG Asset Management	Kleinwort Benson Investors
ATP	Legal & General Investment Management
Aviva Investors	London Borough of Hounslow Pension Fund
AXA Real Estate	London Borough of Islington Pension Fund
Baptist Union of Great Britain	London Borough of Newham Pension Fund
BBC Pension Trust	London Pensions Fund Authority
Bedfordshire Pension Fund	Low Carbon Investors Pte Ltd
BlackRock	Mayfair Capital Investment Management
BMS World Mission	Merseyside Pension Fund
BNP Paribas Investment Partners	Mercer Global Investments Europe Limited
BT Pension Scheme	Mn Services
CB Richard Ellis	Northern Trust
CCLA Investment Management	Nordea Investment Funds
Central Finance Board of the Methodist Church	Osmosis Investment Management
CF Partners (UK) LLP	PGGM Investments
Church Commissioners for England	PKA
Church of Sweden	Platina Partners
Climate Change Capital	PRUPIM
Co-operative Asset Management	Railpen Investments
Corporation of London Pension Fund	Robeco
Dragon Capital Group Ltd.	Sampension
Earth Capital Partners	Sarasin & Partners LLP
Environment Agency Pension Fund	Scottish Widows Investment Partnership
Environmental Technologies Fund	South Yorkshire Pensions Authority
ERAFF	Temporis Capital
Ethos Foundation	The Church of England Pensions Board
F&C Management Ltd	The Church in Wales
Five Oceans Asset Management	The Roman Catholic Diocese of Plymouth
Generation Investment Management LLP	The Roman Catholic Diocese of Portsmouth
Greater Manchester Pension Fund	The Roman Catholic Diocese of Salford
Grosvenor Fund Management	United Reformed Church
Henderson Global Investors	Universities Superannuation Scheme
Hermes	West Midlands Metropolitan Authorities Pension Fund
Hermes GPE LLP	West Yorkshire Pension Fund
HgCapital	William Leech Charitable Trust
HSBC Investments	