



Mark Feather
Ofgem
9 Millbank
London
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30 April 2008

Dear Mark Feather

Response: Proposed Guidance – Environmental issues and the code objectives

I am writing in response to your open letter on 15 April regarding Ofgem's proposed guidance on environmental issues and code objectives. We welcome the full assessment of greenhouse gas impacts of code modification proposals, however there is one aspect of the proposed guidance on which we do disagree. Under point 4 of the proposed guidance, it is suggested both the shadow price of carbon and EU ETS price of carbon are used. We believe that only the shadow price of carbon should be used. It may be appropriate in future to use the EU ETS price of carbon, but until the point at which the EU ETS carbon price reflects society's actual price of carbon using this price will underestimate the financial impacts of greenhouse gases.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Gaynor Hartnell', written in a cursive style.

Gaynor Hartnell,
Deputy Director,
REA