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Rt Hon Edward Miliband MP
3-8 Whitehall Place, London, SW1A 2HH

Sent via email:
ps.ed.miliband@decc.gsi.gov.uk; milibande@parliament.uk

Re: hypothecation of revenue from EUA auctions.

Dear Mr. Miliband,

I am writing to express concern about the government policy on spending revenue derived from auctions of EU Emission Allowances (EUAs).

During Phase II of the EU Emission Trading Scheme (EU ETS), the government could raise something in the region of £1 billion to £2 billion, and has already raised £55 million in an auction in 2008.

As I understand it, there are no plans to earmark this money for specific purposes because the government feels that this would restrict its ability to manage its spending priorities.

However, we at Carbon Retirement believe that this money should not be treated like other sources of revenue for two principle reasons:

- the money is being raised through selling 'rights' to the global atmosphere, which the government does not own; and
- the money mainly comes from consumers paying embedded carbon costs. This is not always a progressive way to raise funds and where possible the revenue should be recycled.

We feel that the money from EUA auctions should be spent on projects that either reduce emissions of greenhouse gases (such as mitigation projects in the developing world) or reduce the burden of the EU ETS on end consumers (such as additional subsidies for domestic insulation).

I would be grateful to hear your views on this matter and any plans the government has to review its policy on EUA auction revenue. We may publish your response in our newsletter, which is sent to our list of customers and supporters.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Dan Lewer".

Dan Lewer
Director, Carbon Retirement Ltd.