



Rt Hon Chris Huhne  
Department of Energy and Climate Change  
3 Whitehall Place  
London  
SW1A 2AW

29<sup>th</sup> September 2010

Dear Mr. Huhne,

It has been reported that the Carbon Trust is under review and could be abolished. At the TaxPayers' Alliance, we've done a lot of work on how to deliver spending cuts. Your department needs to find considerable savings and we feel that around £100 million that could be saved by abolishing the Carbon Trust should be one of them for a number of reasons.

The Carbon Trust doesn't address a genuine market failure. If large businesses can genuinely save money by cutting their energy use, then they have an incentive to do so. Particularly with other policies – such as the Renewables Obligation – increasing energy prices and the introduction of the Carbon Reduction Commitment. If they need external advice to achieve that result, they can pay for it instead of taking money from ordinary taxpayers.

The quality of their advice is suspect. The Royal Borough of Windsor and Maidenhead, recognised as a pioneer for their energy saving work, felt that the advice they received was not reliable. The minutes of their Sustainability Panel record that:

*“The Chairman went onto explain that he felt the Council had been sold a wonderful idea but that only a third of the predictions were going to occur which he felt boiled down to the original plan being wildly optimistic.”*

The organisation is unaccountable and inscrutable. As the Freedom of Information Act does not apply to the Carbon Trust, taxpayers cannot find out how their money is spent. Staff remuneration is high. Their Chief Executive Tom Delay received remuneration of £237,797 in 2008-09. It is difficult to tell how many staff at the organisation receive high pay thanks to its complicated structure.

Three executive partners who manage investment funds for the Carbon Trust at the organisation's investment management arm CT Investment Partners LLP (Peter Linthwaite, Jonathan Bryers and Adam Workman) appear to be very generously compensated. They paid £50,000 initially for their share in CT Investment Partners LLP and – between the three of them – are now getting £380,000

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a year in profit in fees from the Carbon Trust. They work out of the same office and the National Audit Office has raised concerns at potential conflicts of interest, saying that there "is a risk that CAT Investment Partners staff could influence publicly funded research and development or incubator support for emerging businesses that they, in time, may back by way of investment and thus from which they may earn carried interest".

The Carbon Trust has even expanded to other countries, as if it were a multinational company, through its Carbon Trust International programme. In August 2009 they were advertising for a Head of Carbon Trust USA position. They are working to promote the creation of similar organisations in other countries. This is clearly an inappropriate use of British taxpayers' money.

The Carbon Trust is therefore subject to considerable mission creep, its main work does not address an actual market failure, it is extremely generous in how it remunerates its staff and fails to match up to the principles of transparency and accountability articulated by the Government. While it is possible to conceive of reforms that might improve the organisation, the best way of securing value for taxpayers is to abolish it outright.

Yours sincerely,

**Matthew Sinclair**

Director

TaxPayers' Alliance

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