12 March 2024

The Rt Hon Jeremy Hunt MP

The Correspondence and Enquiry Unit

1 Horse Guards Road

Westminster

London

SW1A 2HQ

United Kingdom

I welcome the Spring Budget and its plan to grow the economy by rewarding hard working people. However, I am writing to you regarding the possible benefit to public finances which would accrue by changing government policy on incineration, which would in turn create more headroom either for tax cuts on working people or investment in energy and green infrastructure.

At present, Energy from Waste (EfW) facilities are exempt from the emissions transfer scheme (ETS) which implements the ‘polluter pays’ principle. Had they been included in the ETS in 2022, the government would have had an additional £500 million of tax intake which could have been put either towards tax cuts or investment, which would have been in the spirit of the Spring Budget. In the meantime, they produce about 7 million tonnes of carbon per annum whilst companies managing such facilities are set to build an overcapacity of EfW which will undermine government recycling targets. The Climate Change Committee has therefore urged this policy to be changed, although at the present the government plans to include EfW in the ETS only in 2028.

Removing EfW from the eligibility criteria for Contracts for Difference (CfD) would, potentially, extend this benefit to the public finances much further. The Spring Budget outlines that certain EfW facilities are eligible for funding in Pot 1 of CfD Allocation Round 6, which is worth £480 billion between 2026 and 2030. If EfW was not included, your headroom would be boosted considerably.

I have made the case many times that incinerators are polluting, unwanted and actively detrimental to our climate ambitions. As we seek to enhance the government’s otherwise good environmental credentials, I would strongly urge you to critically examine public subsidies for waste burners and in so doing create the possibility of both environmental benefit and substantial financial headroom for the Treasury.