



SECRETARY OF STATE FOR ENERGY
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PERSONAL AND CONFIDENTIAL

22 May 1979.

T.P. Lankester, Esq.,
Private Secretary to
the Prime Minister,
10 Downing Street,
London SW1.

Dear Tim,

PRIME MINISTER'S VISIT TO THE
DEPARTMENT OF ENERGY

I attach a first - very rough - draft of a note of the principal points made in discussion on Friday. I'll be happy to take on board any comments you may have.

The precise style in which it is reported will plainly depend on the choice of circulation.

*Yours,
John*

John Arnott,
Private Secretary.

Encl.

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PRINCIPAL POINTS MADE BY THE PRIME MINISTER ON HER VISIT TO THE DEPARTMENT OF ENERGY : 18 MAY 1979.

Oil

The Prime Minister expressed the view that ~~the~~ cuts in consumption incurred through or on behalf of international agencies could not be top priorities for the UK. It was much more important to keep industry going by maintaining adequate supplies of fuel. She was very concerned that a ~~specific~~ ~~figure of 5%~~ ~~was a blanket restriction which~~ did not take sufficient account of the circumstances of individual countries.

Generally on fuel stocks for the coming winter she noted that if there should be any difficulties in supply we would have need of maximum reserves of other fuels, ^{she also} and felt that as a contribution towards flexibility we should have more dual-fired power stations. If there should prove to be difficulties with supplies it would be absurd not to have taken any possible steps towards securing alternative supplies, and she asked specifically what constraints applied to the import of coal in order to support coal stocks. ^{Turning to the North Sea,} She enquired about the causes of the decline in ^{oil} ~~exploitation~~ ^{activity} and as to the right balance of incentive and compulsion for future policy, ^{and she} felt that there was a real risk that ~~use of too many sticks~~ ^{excessive regulations} regardless of ~~the availability of~~ ^{countervailing incentives} balancing carrots would have a damaging effect on confidence.

Coal

The Prime Minister asked what ~~we were able to do with~~ ^{could be done about} the £300 million loss which the NCB expected to make this year

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~~She~~ recalled that Government's relations with the NCB had largely consisted of a ^{Succession} ~~series~~ of write-offs for so long as she could remember. She asked how much a pit had to be losing before it could be closed, and expressed confidence that many miners would be happy to accept closure providing that they were given generous terms of redundancy. The Rhondda was cited as an area where extensive pit closures had not prevented the development of economic prosperity. She ^{noted} ~~remarked~~ that she was born and bred in the area of the ^{proposed} Belvoir development, ^{and remarked} ~~she~~ felt that there were too few ^{beautiful} ~~public~~ areas left in Britain, ~~and very much hoped this project would not proceed.~~ She had great difficulty in seeing the money which the Government had continuously put into the coal industry as any kind of serious investment proposition; ~~as~~ there remained no likelihood of a return on the money which had been put in. ~~She recalled again that~~ ^{again,} Over the years of her knowledge of the industry, it had frequently been promised that a few more years of investment would see the industry round the corner; ~~but the improvement had yet to appear.~~

Electricity

On re-organisation, the Prime Minister said that she had never been able to see the case for a further re-organisation. She was against it because it tended to absorb energy which could otherwise be applied to the problems which the industry faced. ~~There had been many re-organisations in the past which had failed to produce a wholly satisfactory structure and she~~ ^{The real need, she felt,} felt there was a need to inject more competition into the field. She recalled that the Conservative Party had suggested many years ago a structure of regional power boards, rather than a

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It was explained that the choice of design was primarily a matter for the CEGB, but that the cabinet was successfully moving to 660 sets

centralised industry and remarked that she felt it would be highly beneficial if the consumer could have the option of buying surplus electricity from any producer—such as a local manufacturer—who might happen to have excess production, rather than being tied to a ~~CEGB~~ ^{national} monopoly. Rather than a re-organisation of the industry, she would like to see fairly small changes to open the industry up to competition and wondered whether it would be possible to add something to this end to the ~~Trade Secretary's~~ ^{proposed by the Trade Secretary} Competition Bill which is being ~~developed~~ ^{developed} at the moment. She remarked on the difficulties which had ~~attended~~ ^{followed} ~~on~~ the decision by the industry to use 500 Mw ^{nuclear} sets and wondered why the Government did not have the power to discourage the Board from such imprudent technological adventures. She also expressed surprise that more attention had not been given over the years to the relatively high losses ~~of the~~ ⁱⁿ electricity transmission system.

asked why the industry had decided to move from 500 to 660 Mw sets. It seemed that factors looked with 500 Mw sets had a very high loss of energy; it seemed to be a mistake to make that change.

~~Secretary's~~ Competition Bill which is being ~~developed~~ ^{developed} at the moment. She remarked on the difficulties which had ~~attended~~ ^{followed} ~~on~~ the decision by the industry to use 500 Mw ^{nuclear} sets and wondered why the Government did not have the power to discourage the Board from such imprudent technological adventures. She also expressed surprise that more attention had not been given over the years to the relatively high losses ~~of the~~ ⁱⁿ electricity transmission system. production.

Nuclear

The Prime Minister said that she was very keen on nuclear power and believed that we would only come close to solving our problems in energy supply when we had a substantial ~~production~~ ^{contribution} ~~of electricity~~ ^{to overall supply} from nuclear power. She would very much like to see the CDFR project proceed. She was not in the least worried by the Three Mile Island incident and ~~was sure that when such reactors came to be constructed in this country our engineers would not cut corners in a way that might expose us to similar dangers.~~ ^{had no doubts that UK} She noted with regret that the French nuclear programme in fast reactors ~~which had once been behind ours was now ahead of us.~~ ^{had overtaken our early lead} She noted that the Government was committed to a

She was looking for a night to look for her last experiment at 3 AM. I had

Why not with some more? ?

major public enquiry on the CDFR but would like to see ~~this~~ ^{the project} move ahead as fast as possible within that constraint. She noted the desirability of ensuring that all engineering problems ~~were~~ fully worked out before relevant construction work commenced, as had not happened with the first AGR programme.

She felt that all of those concerned should be making great efforts to present nuclear power ^{to the public} in a positive light and commended a lecture ⁱⁿ which Sir John Hill ~~had given~~ ^{had} remarked that a critical analysis of the use of coal as a fuel, had it been performed before the exploitation of coal became commonplace, would certainly have condemned such a dangerous and messy power source. If we were to have adequate supplies of energy for the future this re-assurance by the Government of the need ^{for}, and fundamental acceptability of, nuclear power was essential.

She remarked on nuclear waste that she had been ^{concerned} ~~horrified~~ by the volume of waste which was produced. She hoped that some more efficient way of dealing with such a large quantity of material could be found, ~~and that we would not hesitate to purchase foreign technology for this purpose.~~

Gas

The Prime Minister hoped that the price of gas would not be increased for reasons of energy policy alone. She noted that the new Government had inherited a great many inflationary pressures which would have to be allowed to work their way through the system. She would not wish to see unnecessary additions to these.

ENOC

The Prime Minister made clear that she saw no value in having another commercial oil company. She noted that there were real restraints on a ~~re-assessment of~~ ^{radical restructuring of} ENOC ~~role~~ ^{from} its existing contracts and commitments which would have to be respected. She saw no advantage of selling off a public interest in ENOC, on the lines of BP, and would prefer to dismember it. The equity interests could be sold off, subject to any ~~provisions~~ ^{altering} required to retain an ~~appropriate~~ ^{appropriate} UK ~~share~~ ^{share} interest in the UKCS or to retain Government control. She was not convinced that having oil in the hands of ENOC put the Government in any stronger position in ~~effecting~~ ^{evading} EEC restrictions than ~~it~~ ^{it} would ~~be~~ ^{obtain} in the absence of ENOC.

International negotiations

The PM said that the UK should take a hard line in international negotiations. It is important to ensure that the UK is not disadvantaged in any way. The UK should be protected.