

PRIME MINISTER

FUEL STOCKS AT POWER STATIONS

Power station coal stocks fell more sharply than usual last winter and greater use of coal in place of oil this summer will restrict the normal summer stock build. Even if the programme for record levels of coal movements to power stations this summer is achieved, the CEGB expect to go into next winter with under 16 m. tonnes at power stations - some 3 m. tonnes below last year's level, and to end the winter with only 10 m. tonnes - some 4 to 5 m. tonnes below the level of recent years. I accordingly propose to discuss with the CEGB and the NCB the scope for increasing coal stocks.

The CEGB cannot save coal by increasing oil burn because oil supplies are very tight. Moreover, the reduced oil burn and increased coal consumption this year provides most of our contribution to the international oil saving programme. Clearly however if the CEGB can lay their hands on some extra oil for stock they should do so.

The main possibilities for rebuilding power station coal stocks appear to be:-

- increased coal imports. Some 2½ m. tonnes of Australian coal will be imported this year in any case. Railway capacity may limit any additional quantity to about 1 m. tonnes, though we believe that with a sustained effort this could be increased to 2 m. tonnes of additional imports;
- increased gas burn. An extra 1 m. tonnes or more of coal can be saved in this way; beyond this savings of up to an additional 2 m. tonnes could be achieved at West Thurrock - but the coal displaced could not

Prime Minister

The table attached shows coal stocks at the power stations are very low, and that stocks at the pits are too high.

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at present easily be diverted elsewhere because railway capacity is already stretched by the existing coal delivery programme. Nevertheless this possibility will be kept in reserve;

- use of coking coal. Perhaps up to 2 m. tonnes might be used but, again, the main constraint is likely to be existing pressure on the coal handling and transportation system.

I intend to discuss with the NCB and the CEGB what really is the maximum achievable with each of these measures, but together they may enable us to secure a substantial improvement in stock levels.

The coal industry will be very sensitive to proposals for extra imports. We must therefore be very careful about the presentation of any action that may be taken. The chief points are:

- a) Action to build up coal stocks before the winter should be presented as a natural consequence of the world oil crisis and thus in accordance with our international commitments made in March to reduce oil consumption.
- b) We shall need to reassure the coal industry by stressing the short term nature of the measures, while publicly acknowledging the vital long term role of coal.
- c) Sympathetic treatment now of the dispute between BSC and the NCB on coking imports would be crucial in this context.

I am sending copies of this minute to the Secretary of State for Industry, the Secretary of State for Employment, the Secretary of State for Scotland, the Chief Secretary, the Minister of Transport and Sir John Hunt.

Secretary of State for Energy,  
31 May 1979.

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