

cc Nat. Inds. Pt.
Mineworkers Pay.



SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ

01 211 6402

Prime Minister

(2)

Tim Lankester Esq
10 Downing Street
LONDON
SW1

Print

23 December 1980

ms

Dear Tim,

I understand from Sir Donald Maitland that at yesterday's meeting the Prime Minister raised the question of the offer to sell a coal-fired power station to Greece. As you know the Greeks have chosen to attribute - in public at least - their rejection of the UK offer to the proposals on coal.

In our view the Greek position does not stand up to examination. The coal offer, arranged with involvement by the private sector in the form of Shell Coal, was in the view of both the NCB and Shell fully competitive on both price and security. The Greeks appear to have used it as a pretext for not accepting the total package, whereas in reality internal political reasons lay behind the rejection. Significantly, when explaining the decision to our Ambassador the Greek Prime Minister said that our Prime Minister would understand his political difficulties.

I believe that the Prime Minister has asked in particular about the possibility that the cheap output from an NCB opencast site could be dedicated to the Greek project. It had in fact been recognised immediately the Greeks asked for a mine to be dedicated that it would have to be in a third country because of the practical difficulties with UK opencast sites. In the first place our opencast operations are necessarily very small and short-lived by world standards and, in order to meet the Greek requirement, a constant and rapid turnover of sites would be needed - on average about one new site a year over 25 years. This would pose serious problems both for supplying the coal - it is unlikely that the sites would all be in one area - and for the planning procedure - opposition to opencast working on environmental grounds, often supported by local authorities, has increased in recent years and would be stronger if the coal were not for use in the UK. The Board would also almost certainly be accused of contravening the ECSC Treaty if it cut its prices to the Greeks on a flagrantly discriminatory basis. Most seriously, the dedication of part of our cheapest capacity to the Greeks at cost-related prices at a time when all expectations are that world prices are on a long rising trend would amount to giving the Greeks a blank cheque. I should add that Shell had been working very hard on identifying a mine for dedication to the project and the Greeks were

Not
revisit
opencast



well aware of this. We understand that in fact a suitable mine had been acquired in the USA just before the Greeks rejected our offer. This would have been very much bigger than anything we have and would have provided cheaper coal for the Greeks than NCB sites (because of favourable geology), while avoiding the disadvantages to the UK.

The rejection of the UK package has caused the NCB and Shell particular disappointment since they put together their very favourable joint package at no little expense in time and money. But we expect other opportunities for our UK-based international coal suppliers - Shell Coal, BP Coal and the NCB - to participate in major UK energy packages and we feel that it is important at this stage in the development of a new type of export deal for the UK, that we do not discourage our coal suppliers and that we do take account of the problems they face. Unfortunately in this instance the Greeks appear to have chosen for their own purposes to create a false impression of the nature of the coal offer.

On another subject, I understand that the Prime Minister also raised yesterday the question of the size of the miners' pay settlement. This is to confirm what my Secretary of State said then, namely that the settlement will increase the total pay bill for mineworkers by 9.7%. You will find the details in paragraph 1 of the note attached to my letter of 16 December to John Wiggins, which was copied to you.

I am copying this letter to John Wiggins, Ian Ellison, Robin Ibbotson and David Wright.

Yours ever,

A handwritten signature in dark ink, appearing to read 'J D West', written in a cursive style.

J D WEST
Private Secretary



11 12 1
B
9
8
7
6
5
4
3
2
1

22 DEC 1980

COMMISSION