

Energy Policy Pt 1

Prime Minister

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P.024

MR LANKESTER

*Handwritten initials*

cc: Mr Vile  
Sir Kenneth Berrill  
Mr Mountfield

This is the paper on the supply position over the coming 12 months which we commissioned last week. Would you like to discuss this, and Mr Howell's paper (Plan B), at E Committee on Tuesday - trade union legislation is the only ~~issue~~ at present?

SHORT-TERM SUPPLIES

I attach the inter-Departmental assessment of the options for energy supplies in the coming 12 months, for which you asked in your letter of 6 June to the Private Secretary to the Secretary of State for Energy. It concentrates, as you requested, on the short term and the options for action.

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16/6

2. In putting it forward could I underline several points:-

(a) The effects of the Budget, and the general course of the economy, bring a new uncertainty into the equations. But to the extent that the economy does decline the easier, perversely, our energy supply problems become.

(b) The Department of Energy's assessment is that on present prospects we stand a reasonable chance of getting through the next year without serious energy shortages. But the risks are downside - both for coal and oil - and we have relatively little room for manoeuvre.

(c) On coal supply the key issues are going to be the closure of uneconomic pits, imports and the ability of the railways to move substantially increased amounts of coal to the power stations, including coal drawn from our present reasonably healthy pithead stocks. The size of our stocks of coal at power stations this autumn may depend critically on this factor.

(d) As a fallback at the power stations we have a useful ability to burn natural gas in place of coal. Up to 3 million tons of coal could be saved in this way but at a high cost to the CEGB because gas is of course a much more expensive fuel than coal.

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(e) On oil the issues are going to be the attitude we adopt to stocks -  
should we draw them down further or rebuild them and our ability to  
negotiate a discreet preference from the oil companies.

(f) Apart from the ongoing effects of higher energy prices and the  
continuing energy conservation campaign, we have little scope for  
achieving additional reductions in demand short of the introduction of  
a full-scale energy allocation system. Such scope as there is for  
mandatory restraint, short of full-scale rationing, largely affects  
petrol.

(g) It is worth noting that the solution of our problems this winter  
will not of itself lead to a more comfortable position in 1980-81.  
The problems then could be as bad or worse.

3. Finally, I would be grateful for your advice on whether the Prime Minister  
would wish this report to be discussed by Ministers collectively. If so, the  
appropriate forum might be (E(EA)). My own view is that a collective discussion  
is not yet necessary. Individual action points which may require collective  
decision could be handled as they arise. Two - imports of coal for Scottish  
power stations and for the BSC - are already the subject of Ministerial  
correspondence. We could also, if this would be helpful, provide a draft  
letter which might underline the Prime Minister's concern that all necessary  
steps should be taken urgently to improve our ability to meet our energy  
requirements next winter.



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Cabinet Office  
15 June 1979