

cc J.V.

Prime Minister

#### FORWARD LOOK

This minute responds to your request in Cabinet on 29 July for a report on Departmental policy objectives over the next five years. It covers, as requested, major commitments outstanding from 1979, new proposals to develop reforms already under way and major new initiatives.

#### COMMITMENTS OUTSTANDING SINCE 1979

There are no undischarged energy commitments outstanding from 1979. But in the changing oil market, further tax changes, which are being discussed with the Chancellor, will be needed to reflect our 1979 Manifesto commitment that our oil tax and licensing policies will encourage new production.

#### FURTHER DEVELOPMENT OF CURRENT REFORMS

My major Departmental objective will be to expose the State-owned energy industries to competition by all feasible means, to press ahead with privatisation wherever possible and to continue to pursue other measures to make the public sector industries more efficient. Particular proposals, all of which carry risk of conflict with the unions, are set out below:

##### 1. Gas

- further steps to break the monopoly of the British Gas Corporation, increase competition and attract private capital into the business, including the main business of supplying gas. Legislation is likely to be required early in the new Parliament.

- stimulating, through a more open market in gas (including gas exports if appropriate), the further development of our offshore gas resources.

## 2. Electricity

- plans to restructure the nationalised electricity supply industry designed to stimulate competition and diversity and facilitate the subsequent introduction of private capital. I hope to bring forward legislative proposals early in the new Parliament, with a view to privatisation by the end of that Parliament.

## 3. Coal

- steps to bring the NCB to financial viability will be our overriding objective over the next 3 years. You are aware of the sensitive key issues. I shall bring forward other proposals (including privatisation of opencast) as progress on this main objective permits.

## 4. Atomic Energy

- plans to sell 49% of British Nuclear Fuels Ltd later in the new Parliament, the prospects for which will be reported shortly.
- given a successful outcome to the Sizewell PWR Inquiry, plans for the further development of our nuclear generating capacity.

## 5. Oil

- Disposals of further shares in Britoil, as in BP, are a matter for the Chancellor.



## NEW INITIATIVES

This is a programme for a full Parliament. However, we also need to show ourselves to be sensitive to environmental issues and ready to act in appropriate cases. I should not seek on energy grounds to oppose either an initiative to secure European agreement to the introduction of lead-free petrol for all new cars by 1990 (though other constraints may bear on colleagues), or work towards a Community position on emission control from new coal-fired power stations.

## MANPOWER AND EXPENDITURE IMPLICATIONS

The manpower and expenditure implications of these measures are too uncertain to quantify at this stage. Apart from the internal manpower implications for my Department, measures to privatise the gas and electricity industries could well require the establishment of regulatory agencies. Privatisation will involve some Exchequer costs, eg in relation to British Nuclear Fuels, but holds out the prospect of offsetting gains.

Because of the sensitivity of these proposals, I am not giving this minute wider circulation.

A handwritten signature in dark ink, appearing to be 'JL' with a small flourish at the end.

Secretary of State for Energy  
22 December 1982