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PRIME MINISTER

Supplementary Brief on Energy Prices

This is an aide-memoire on the points which emerged at your briefing meeting this morning in so far as they bear on Mr. Howell's specific proposals on energy prices. The two main difficulties foreseen were:-

- (a) The stand on the fuel oil and DERV duties taken by the Chancellor in the Budget speech.
- (b) The practical difficulties of defending selective help to named companies and industries against the assaults of those excluded from relief.

2. Against this background the tentative judgments reached on Mr. Howell's specific proposals were:-

- (a) Heavy fuel oil: Leave alone. This not only because of the problem of discrimination and possible difficulties with the Frigg contract but also because the tax is, in reality, more one on the producer than the consumer.
- (b) Derv: An across the board cut of, say, 5p is a starter. The benefit, though modest, would work through to many companies and consumers dependent on road transport. Cost approximately £50 million.
- (c) Gas: Action already taken probably suffices for the time being. Review in the autumn.
- (d) Electricity: Across the board cuts too expensive but discrimination in favour of named companies too difficult. Preferred solution to devise a new tariff which would aid the heavy users without requiring them to be separately identified in advance. Robin Ibbes is pursuing with Department of Energy.
- (e) Foundry coke: A clear case for action with limited cost. Possible complication arising from the fact that National Smokeless Fuels is a limited company and cross subsidisation by NCB therefore difficult. But ingenuity should find a way. Department of Energy to be asked to explore.

See D/energy  
note at p. 4 A



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3. Longer-term issues. Among those identified were:-
- (a) Speed up the PWR programme.
  - (b) Break up the Coal Board into regional units.
  - (c) Break the gas monopoly.
  - (d) A renewed drive for greater efficiency in the nationalised fuel industries.

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