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Prime Minister

The Prime Minister

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POWER STATION COAL STOCKS

At our meeting on 20 August you raised this question.

The arrangements agreed at your meeting on 19 June to increase coal stocks at generating stations are progressing satisfactorily. Stocks at CEGB power stations now stand at about 17 million tonnes. We hope that more than the additional 1½ million tonnes can be moved during this summer period and that stocks in England and Wales will exceed 19 million tonnes on 1 November. Stocks at power stations in Scotland are expected to reach 1¾ million tonnes. We are maintaining our pressure on the Boards to build up maximum stocks without attracting such attention as could impair the prospects for a low pay settlement in the mines this November.

You compared stocks in 1978 with the current position. The high stocks in 1978 were the product of a deferred payment scheme introduced by the previous Government in September 1975. The scheme was continued in 1976, 1977 and 1978. By November 1978 stocks at CEGB power stations alone had reached 20 million tonnes - some 7½ million tonnes more than they would have been without this scheme. A similar scheme operated in Scotland.

Because stocks in 1978 were exceptionally high the deferred payment scheme was followed by an assisted coal burn scheme to encourage the CEGB to switch from oil (which was then economic) and to burn coal instead. This assistance, combined with the cold winter in 1978/79, substantially reduced coal stocks.



You know from what David Howell said when Ministers discussed this on 4 August that we are working on plans to increase stocks at CEGB power stations to 28 million tonnes by November 1982 - 8 million tonnes above the 1978 peak.

I am copying this minute to the Chancellor of the Exchequer, the Secretaries of State for Scotland and for Transport, and to Sir Robert Armstrong.

Hamish Gray
— 24.8.81

HAMISH GRAY