

From: The Rt Hon NIGEL LAWSON MP

cc Mr Ridley



HOUSE OF COMMONS
LONDON SW1A 0AA

PERSONAL AND CONFIDENTIAL

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliamentary Street
London SW1

8th March 1983

John Smith

In response to your letter of 8th February, I enclose a 'first thoughts' two page draft for the Energy section of the manifesto. The oil section in particular may need to be revised in the light of the evolving world oil scene.

I would draw your attention to the two specific policy commitments - marked A and B - which I have put in square brackets. The first has been implicitly approved by E: the second has not yet been put to colleagues, nor am I yet ready with a fully worked out scheme (although a good deal of preliminary work has been done). Both, I believe are desirable. However it is also necessary to recognise that A will cause trouble with the gas unions and B with the electricity unions, and neither will win us any votes. Instead, A will probably lose votes. So there is clearly a case for leaving them out - in particular A - and resting on the final paragraph of the draft. On balance, I would favour dropping A while retaining B.

Finally, for lack of space I have included nothing about conservation and the renewable sources of energy even though this will inevitably be pounced on by those of a 'green' disposition.

NIGEL LAWSON

Nigel Lawson

ENERGY

Energy is the lifeblood of the national economy. The Government's energy policy is to make it available as efficiently and economically as possible, while seeking every practicable means of minimising the adverse environmental consequences of future energy developments. We have been able to introduce new and more favourable terms for those industries and firms that are particularly heavy users of energy. We have also arranged that standing charges will no longer dominate the bills of the smallest consumers, and we have increased help for the needy with their fuel bills as a result of which disconnections have fallen sharply.

Oil

Britain has come from nowhere to be the sixth largest oil producing country in the world. The North Sea success story has been a triumph of private enterprise for the benefit of the nation. The dead hand of nationalisation has no place here. We have accordingly transferred Britoil, the exploration and production business of the state-owned British National Oil Corporation, to the private enterprise sector in the biggest act of privatisation ever undertaken by any Government. In the next Parliament we shall transfer the remaining state-owned oil business - the Gas Corporation's offshore oil interests - to the private sector. At the same time, we shall continue to ensure that our taxation and licensing policies encourage the further development of the North Sea.

Coal

Productivity in the mines, which fell during the Labour years, has been steadily rising since the Conservatives took office. But much still remains to be done. In the next Parliament we shall expect Britain's massive coal industry, on which we depend for the overwhelming bulk of our electricity generation, to return to economic viability in the interests of the taxpayer and the electricity consumer alike.

Gas

We have abolished the state-owned Gas Corporation's statutory monopoly of the purchase of North Sea gas and the supply of gas to industry. As a direct result of this, gas exploration and development in the North Sea, which had ground to a complete halt under Labour, has taken on a new and vigorous lease of life. In the next Parliament we shall [transfer the state-owned gas appliance business to the private enterprise sector as a going concern and] seek other means of increasing competition in, and attracting private capital into, the gas business.

Electricity and Nuclear Power

B | Legislation has been enacted to encourage the private generation of electricity, particularly in combined heat and power schemes. That is one necessary form of competition: another is the [safe and economic] development of nuclear power, the only effective competitor for coal in our power stations. The Sizewell inquiry into Britain's first PWR is well under way. Safety is paramount, and the project will go ahead only if both the independent inspector and the Government are satisfied on this score. [In the next Parliament we shall reform the structure of the state-owned electricity supply industry, with a view to the further promotion of competition and the introduction of private capital, and we shall press ahead with the safe and economic development of nuclear power, including the fast reactor]

The record so far is a substantial one, but the job is far from finished. In particular, in the next Parliament, we shall be seeking every practicable means of further improving the efficiency and responsiveness of the State-owned monopolies that still dominate the non-oil energy scene in the UK. This means above all, taking every opportunity to transfer activities to the private enterprise sector and to replace monopoly by competition.