



10 DOWNING STREET

(1)

Prime Minister

Agree to the Chancellor's
proposal to defer the start
of oilburn?

MUS 16/7

I understand from
Nigel's comment
Cabinet that we are
losing $\frac{1}{2}$ m tons to the
power-stations per week.

Further, I understand that
the decision was conveyed
for

C.I.C. 13 and that the
Chancellor should
step in - we can have wind on
100 AM

35



Treasury Chambers, Parliament Street, SW1P 3AG
 01-233 3000

16 July 1982

The Rt. Hon. Nigel Lawson, MP
 Secretary of State for Energy

Dear Secretary of State,

OIL BURN DURING A RAIL STRIKE

Thank you for your letter of 13 July. We do not need yet to decide whether or not to continue a grant beyond one month. However, I remain of the view that we should not pay grant for the costs of oil burn beyond the date at which it would have been introduced by the CEBG in the absence of Government support. The main purpose of the grant, as I understood it, was to compensate the Board for the costs of taking action earlier than they would have wished to do on their own account. It should be possible, I would have thought, to elicit from the Board in advance a view on when they would increase oil burn and to what extent and limit our support accordingly. I do not accept that this would be "penalising" the Board for good behaviour.

Two other considerations influence my view. First, it is surely not necessary for us to pay grant in order to protect the electricity consumer from immediate price increases. It should be sufficient for us to agree to lower the industry's financial target so that they can finance the extra cost of oil by borrowing rather than by raising prices. Secondly, this grant will be an identifiable cost to the Government of not settling the rail dispute and there seem good presentational reasons, therefore, for keeping it as low as possible. If the dispute is a long one, your proposal could push the total grant to £100 million or more.

I am sending copies of this letter to the Prime Minister, Willie Whitelaw, Patrick Jenkin, David Howell, George Younger, and to Sir Robert Armstrong and Mr. Sparrow.

*Yours sincerely
 Peter Jenkins*

↳ GEOFFREY HOWE
 (Approved by the Chancellor and signed in his absence)