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Prime Minister (2)

Some ideas for tomorrow's meeting

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MR TURNBULL

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POWER STATION SUPPLIES AND FUEL IMPORTS

1. Scope For Using More Oil

The CEGB's 50 coal-fired power stations provide some 60% of total generating capacity. Most important are the 19 large coal-fired stations which account for nearly 50% of total capacity.

Coal-fired stations are fitted with oil burners to aid start-up and to stabilise coal combustion. For this purpose fuel oil is normally supplied by rail tankers. Because fuel oil is more expensive than coal, oil consumption is usually kept to an operational minimum. However, the CEGB tell us you can run coal stations on the oil burners alone. Although there are wide variations between individual stations, it is broadly estimated that the capacity of a coal station run on oil alone is of the order of one third the normal capacity.

We have followed up this line of enquiry we suggested in a recent note. CEGB are trying to use maximum oil but so far they have drawn the line at going for the big target - seven large coal stations mainly in strikebound areas. These have been shut down because, in current circumstances, their coal stocks cannot be replenished. At Didcot, CEGB

SECRET

say they have run one coal-fired generator on oil, but this was no more than a modest "testing of the water". CEGB have to assess reaction of the power workers and oil industry tanker drivers; they may be able to go further in running more oil in coal stations.

2. Scope For Using More Gas

According to BGC/CEGB, Hams Hall and West Thurrock were converted to dual-capability coal/gas stations in the 1960s when BGC wanted large interruptible customers. In recent months Hams Hall has been switched from coal to 100% gas firing and BGC will try to maintain gas supplies through the Winter.

The gas-firing burners at West Thurrock no longer work. The CEGB have decided that to switch to oil is the most rapid option and are doing this as a matter of priority.

It would be worthwhile giving one or two favourably-located coal stations a gas capability. There are varying and imprecise estimates of how long this might take. Any further delay now will make any contribution to this strike less likely, but it is still important to reduce coal dependence in the longer term.

3. Coal Imports

Proven capacity to move coal into and out of the UK is in the region of 30 million tonnes pa. In theory, there should be no difficulty in turning all that capacity to imports. It could probably be increased - say to 35 million or 40 million tonnes.

There is no recent experience which we have been able to unearth of moving bulk commodities, such as coal, by container. The most sanguine estimate we can come up with for shifting coal into the UK by all non-bulk methods is in the region of 10 million tonnes per annum - but that estimate is very rough, and this option would be costly and disruptive to other traffic.

The highest estimate for imports is thus in the region of 50 million tonnes pa, but wisdom dictates that that this physical assessment should be reduced to allow for the effect of industrial action. The behaviour of dockers becomes more unpredictable as time passes, but we cannot count on an easy ride. Our best guess would be sustainable imports in the region of 35 million tonnes pa by all methods.

We do not foresee a shortage of road haulage capacity to move the imports, but we do foresee the need to cope with violent mass picketing.

Conclusion

The best option, as Peter Walker says, is to move pithead stocks. But let's not rely solely on this card. Any opportunities quietly to increase coal imports should be seized. Similarly, unobtrusive initiatives to run more oil will have immediate benefits. Although less immediately beneficial, the gas-firing alternative is a good way of creating future flexibility, and should be pursued as a matter of urgency.

JOHN WYBREW

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ROBERT YOUNG