

SECRET

PRIME MINISTER

COAL INDUSTRY

mt

Coal Stocks

The attached return indicates that over the last three recorded weeks coal movements have been on the schedule needed to reach six months endurance (23 mt) by end October which you agreed with Mr. Walker and the Chancellor in March. When you spoke to Mr. Walker recently, you asked him to consider raising the target to 28 mt. His minute and the Annex attached set out the implications of this. His conclusion is that, setting aside the NACODS dispute, 23 mt is the most that can be achieved by movements from NCB pits. 28 mt could be achieved only by importing coal or by oil burn. Either would cost an extra £400-500 million on the PSBR. The issue has now become whether 23 mt can be achieved if the NACODS overtime ban continues for any length of time.

Agree a meeting to look at this issue again when the extent of disruption being caused by NACODS has become clearer?

Yes mt

Endurance

Material for a meeting on the lessons of the strike and on the preparations needed for another should be ready by about mid-June.

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Closures and Redundancies

You pressed Mr. MacGregor to set out his objectives on closures and redundancies and he has now sent some material to the Department of Energy. A meeting to discuss this and the acceleration of open-cast mining will be needed soon after Whitsun.

AF

20 May, 1985

SECRET



IMPLICATIONS OF STOCK BUILD TO 28MT AT CEGB POWER STATIONS
BY END OCTOBER 1985.

NOTE BY DEPARTMENT OF ENERGY OFFICIALS

1. As requested in the letter of 26 April from No.10, we have examined the logistic and financial implications of rebuilding coal stocks to 28mt by the end of October 1985. The following paragraphs reflect the present views of the CEGB and NCB but if Ministers decided that they wished to set a new target of 28m tonnes, further detailed consultation and planning with the two Boards would be essential. Views of what can be done to move stocks or to exploit the existing system change constantly, in both directions, in the light of experience, as was shown during the strike.

LOGISTIC IMPLICATIONS

2. The CEGB and the NCB are at present working to an agreed programme aimed at a stock at the end of October of 22.9mt. The two Boards judge that that programme is close to the maximum that can be achieved on the basis of UK coal. A target of 28mt would require a further 5mt of coal at CEGB power stations. There are two main ways of achieving this: increased coal imports or increased oil burn.

Increased Coal Imports

3. The CEGB's coal import facilities in the south eastern stations are being used to capacity in the present restocking programme, taking in both NCB coal from the North East and imports from the Rotterdam stockpile. Any further imports would therefore have to come in through limited port facilities and be trans-shipped by road or rail to the power stations. Possible routes would be Birkenhead to Fiddler's Ferry, Cardiff/Newport to Didcot and the East Coast ports to the Aire Valley stations. Such an exercise would require careful planning. The best estimate that we have been able to make is that up to 3m tonnes might be moved in the time available. The CEGB could probably obtain this quantity on the international coal market, though it might find itself obliged to enter into some longer term commitments in order to achieve delivery in such a limited timescale.

4. Increasing coal imports in this way would be a high profile operation. It might tempt extremists in some unions (e.g. NUS, NUR, TGWU) to try to interfere with it. Deliveries through South Wales ports and Merseyside might become targets, particularly if at the same time local pits were being closed.



Increased Oil Burn

5. If 3m extra tonnes of imported coal could be added to power station stocks by October, that could be raised to 5m tonnes by 1.2m tonnes of extra oilburn. This could be achieved without difficulty. In fact, only increased oilburn would guarantee achievement of the target. To provide the whole 5mt in this way would mean burning an extra 3mt of fuel oil. This could be achieved at the main oil-fired stations by running them up to 12 hours a day for 5 days a week. It would not be necessary to move to oil overburn at coal-fired stations. Such an operation would quickly become public knowledge and might be resisted e.g. by the NUS, but it would be less likely than coal imports to cause industrial relations problems.

Scottish Interconnector

6. There is some scope for exporting to the CEGB additional electricity produced by Scottish coal-fired stations. For several reasons these exports would be less than the full capacity of the interconnector, which would be equivalent to 1½m tonnes over 6 months. First, there is no advantage in burning oil in Scotland to increase these exports. Secondly, there is a need for work on one interconnector to begin linking it to the new nuclear station at Thorness. Third, the scope for taking Scottish electricity in the north of England is at present reduced because Blyth power station in Northumberland is at present being used to an exceptional degree to maximise the ability of the CEGB to take NCB coal. The stock gain to the CEGB is therefore difficult to quantify. It might be several hundred thousand tonnes over 6 months but less than 1m tonnes unless oil were burned. This would contribute to a 28m tonnes target for the CEGB and make some contribution to improving the endurance value of the total coal stock; but its effect is to shift coal from Scotland to England rather than add to total national stocks.

FINANCIAL IMPLICATIONS

7. Either increased coal imports or increased oil burn would impose heavy additional costs in 1985/86. Allowing for extra interest and stocking costs, a 5m tonne addition to coal stocks by importing 3m tonnes and burning 1.2m tonnes of oil would add about £420m to the PSBR (and over £300m to the import bill) in 1985/86. The delivered cost of coal would be high because of the routes which would have to be used. To achieve 5m tonnes of extra stock by burning 3m tonnes of oil would add about £480m

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to the PSBR, and much the same to imports. The cost to the electricity industry in both cases would be higher, mainly because of heavy fuel oil duty. It seems likely that they would make it a condition that the Government, rather than the consumer, met the financial consequences of such a programme by relaxing the EFL for 1985/86.

8. The extra 5m tonnes of stock-build by October 1985 might be regarded as a bringing forward of stock-building which would otherwise have taken place in 1986/7. On that basis the extra cost to the electricity industry in 1985/6 would be partly offset by a reduction of about £250m in coal purchases in 1986/7. But the reduction would be at the expense of the NCB, so there would be not net PSBR saving. And a loss of sales of this magnitude would be a serious setback to NCB attempts to breakeven. The effect of bringing the 5m tonnes of stock-building forward would be to achieve it by importing (coal or oil) rather than by UK coal output.

Not ind: cool; Pt 17



20 MAY 1987

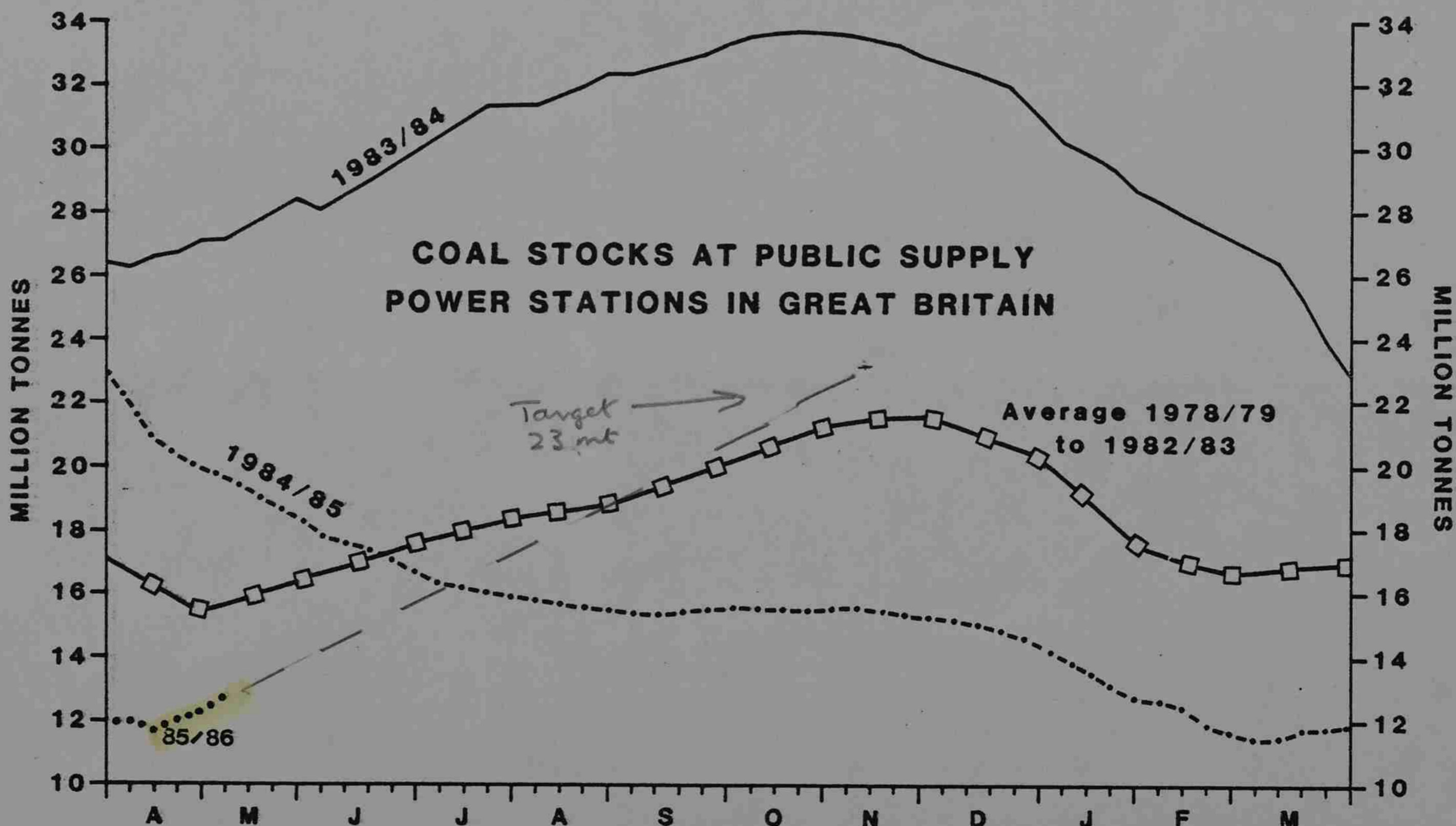
WEEKLY COAL AND POWER STATION STATISTICS (1)

20 May 1985

Energy Division, Dept. of Energy, Thames House South, Millbank SW1P 4QJ. Phone: 01-211-6928

Week ending		7.5.83	5.5.84	13.4.85	20.4.85	27.4.85	4.5.85	
		(6)		(5)				
COAL	<u>PRODUCTION</u>							
	deep mines+	1.80:	0.43:	1.01	1.54	1.67	1.71	
	(m. tonnes) opencast+	0.22:	0.31:	0.05	0.32	0.36	0.31	
	TOTAL	2.02:	0.75:	1.06	1.86	2.03	2.02	
COAL	<u>PRODUCTIVITY(2)</u>							
	'overall'	2.47:	2.14:	2.01	2.15	2.31	2.38	
	'production'	10.64:	10.27:	9.22	9.87	10.35	10.55	
	<u>UNDISTRIBUTED STOCK</u>							
	(m. tonnes) TOTAL	25.61:	21.98:	18.50	18.19	17.69	17.34	
POWER STATIONS	COAL STOCKS	(m. tonnes)	27.14:	19.63:	11.74	12.05	12.33	12.79
	COAL CONSUMPTION	"	1.49:	0.71:	1.53	1.56	1.66	1.62
	COAL RECEIPTS	"	1.54:	0.40:	1.28	1.86	1.99	2.08
	OIL STOCKS(3)	"	1.12:	0.83:	1.11	1.10	1.07	1.05
	OIL CONSUMPTION(3)	"	0.05:	0.39:	0.02	0.02	0.03	0.03
	OIL RECEIPTS(3)	"	0.04:	0.44:	0.01	0.01	0.01	0.01
	<u>ELECTRICITY SUPPLIED (4)</u>	(GWh)						
	Nuclear	"	679:	965:	1,077	1,025	916	1,021
	Other Steam	"	3,549:	3,164:	3,507	3,513	3,952	3,735
	TOTAL	"	4,227:	4,129:	4,584	4,538	4,868	4,756
TOTAL - temperature corrected	"	4,227:	4,147:	4,542	4,621	4,544	4,628	

- (1) Great Britain unless otherwise stated. All latest figures are subject to revision.
- (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only.
- (5) Includes Easter Monday. (6) Includes May Day Bank Holiday.
- .. data not yet available. + includes licensed production.



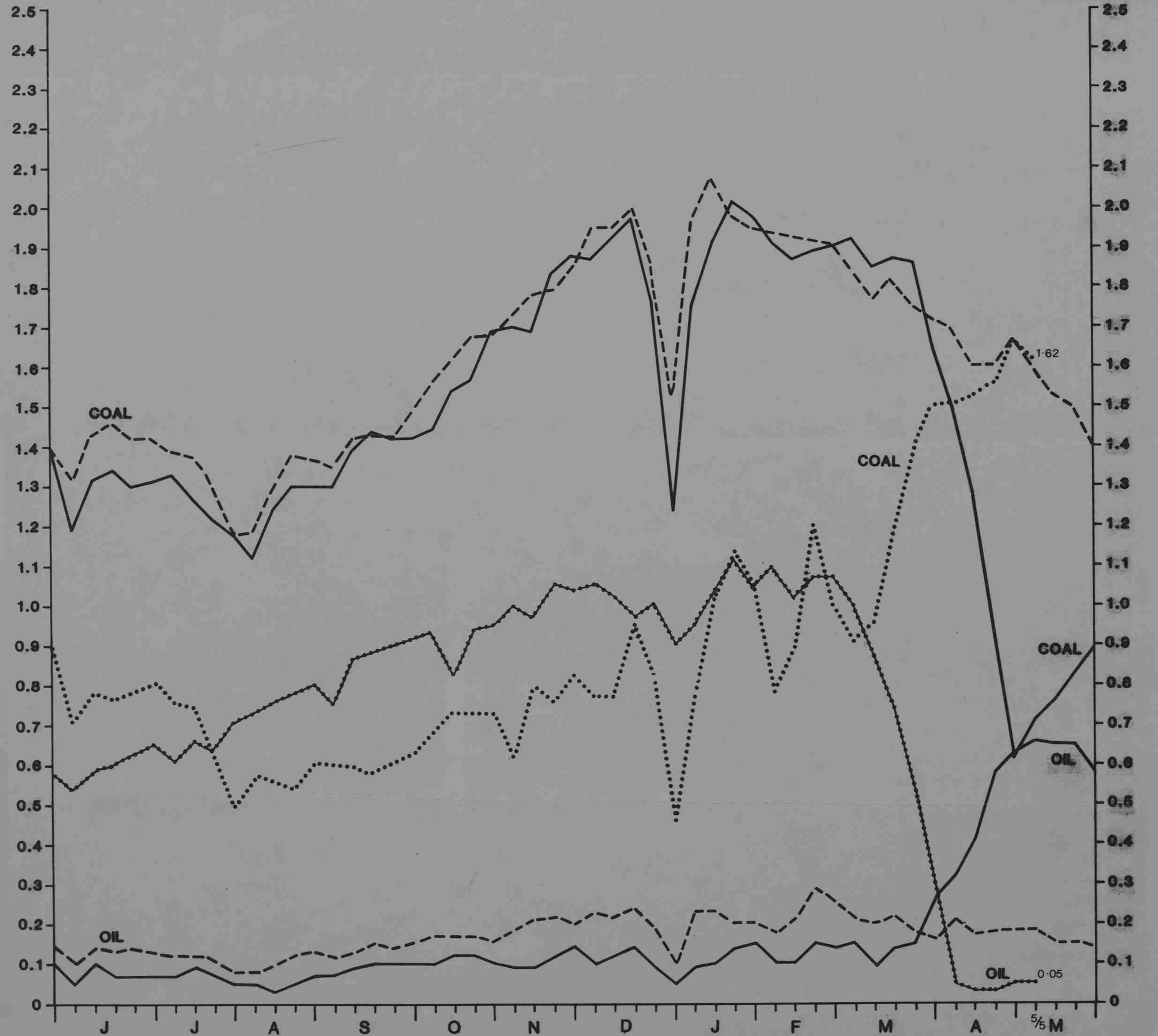
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COAL CONSUMPTION AND OIL CONSUMPTION (OIL-FIRED) AT
PUBLIC SUPPLY POWER STATIONS IN GREAT BRITAIN

COAL } June 84 to May 85
OIL }
———— June 83 to May 84
----- Average 1978/79 to 1982/83

MILLION TONNES
OF COAL OR
COAL EQUIVALENT

MILLION TONNES
OF COAL OR
COAL EQUIVALENT



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