PRIME MINISTER.

Agree this Govt evidence on energy requirements?

B'.

MAP 18/VII

I would not let this go forward in my name. It is very sketchy - makes little reference to nuclear or to the predominant place it was given at Tokyo or to the research of energy in various applications already available to us. Nor does it make much allowance of the contribution other sources of energy could make

PRIME MINISTER

VALE OF BELVOIR INQUIRY

The statement issued by the then Secretary of State for the Environment under Rule 6(1) of the Town and Country Planning (Inquiries Procedure) Rules 1974, when the NCB's application to mine coal in North East Leicestershire (the Vale of Belvoir) was called in, specified as a relevant background item at the forthcoming Public Inquiry "the Government's assessment of energy requirements". The Inspector, Mr Michael Mann QC, has, accordingly, asked my Department to give evidence under this head at the Inquiry. He has also asked that we make available in advance of the Inquiry (by 31 July) a written statement on the Government's assessment of energy requirements. His purpose is to assist the parties to the Inquiry, including the NCB who are set a deadline of 31 August for issuing their statement, in the preparation of their evidence.

I attach the text of a statement drafted to meet the Inspector's request which I would propose, subject to your agreement and that of colleagues, my Department sends to him.

I am copying this minute to the Members of E Committee and to Sir John Hunt.

DH

Secretary of State for Energy

17 July 1979

But I think I ought to consult with his Department/department in detail.

Nor does it take account possible alternative assessments and ways of meeting that need etc.

BELVOIR INQUIRY

This statement gives the Government's assessment of the energy outlook and of the future role for coal in the U.K.

Prospects

2. World fossil fuel resources are finite and reserves of oil are more limited than those of coal. It is now widely acknowledged that supplies of oil in the international market will become scarcer and more expensive during the rest of this century and beyond. This year's increase in the price of oil and the current shortages in oil supply have served to underline what had already been identified, following 1973, as the long term trend. It is also generally accepted that, if the transition away from oil is to be effected smoothly and the world's future fuel requirements are to be met, increasing reliance will need to be placed on energy conservation, coal and nuclear power and the development of new energy technologies. Substitutes for oil will be required initially in non-premium heating markets and, in the longer term, probably also in the premium transport and petrochemical markets. Following earlier agreements and commitments entered into within the EEC and the International Energy Agency, the world leaders at the Tokyo Summit in June pledged themselves to a common strategy for reducing oil consumption and hastening the development of other energy sources. As part of this strategy they undertook "to increase as far as possible coal use, production and trade, without damage to the environment", "to endeavour to substitute coal for oil in the industrial and electrical sectors" and "to maintain positive attitudes towards investment in coal projects". ? And nuclear ?

3. The UK cannot isolate itself from these wider developments, even during the period of self-sufficiency in the 1980s. On present prospects, by the 1990s indigenous oil production will be

in decline. Production of indigenous gas, which is a valuable resource and can only make a limited contribution to further displacing oil, may begin to decline a few years later. In the last decade of the century and beyond, the UK can expect to be importing an increasing proportion of its oil to meet essential needs, at a growing annual cost to the balance of payments. There will be substantial and growing requirements for our other indigenous source of energy, both for the contribution they can make towards international objectives of reduced dependence on oil and as replacements for our own North Sea oil and gas.

4. The Department of Energy's latest forecasts, a copy of which will be submitted in evidence, of energy supply and demand suggest that in the year 2000 energy demand could be in the range of 445 - 515 m.t.c.e. with indigenous supplies, including nuclear electricity, in the range 385 - 410 m.t.c.e. In making these forecasts, the Department has made a substantial allowance for savings arising from improvements in the efficiency with which fuel is used. Renewable energy sources are expected to make only a very small contribution by the end of the century though they might make an increasing contribution thereafter. There are also practical limits, because of the long lead times governing energy investment, to the contributions that can be relied upon, within a given timescale, from coal and nuclear power even with an early start on further investment and sustained programmes of expansion.

Role of Coal

5. Against this background the Government foresees the need for a major future contribution from UK coal. Substantial contributions will also be needed from energy conservation and nuclear power. All three will be complementary, with coal playing a key role in the progressive replacement of oil. It is already substituting for oil to the maximum extent feasible in electricity generation. As oil prices rise new markets are expected to open for replacing oil and non-premium gas used in industry. With increasing pressure on indigenous gas supplies, a substitute source of gas will also be required, possibly before the end of the century, and coal can expect to play a growing part in this and other longer term markets

for synthetic fuel and chemicals. Demand for coal during the 1990s is likely to be at least at present levels and the chances are that the need to use and produce coal will be rapidly rising by the end of the century.

6. Plan for Coal is securing the industry's production capacity only into the 1980s. The progressive exhaustion of existing capacity means that major new development is needed just to maintain output at present levels. Without early and continuing investment in new capacity, colliery production in 1990 would be lower than it is today and would fall below 100 million tonnes before the end of the century. The coal industry's potential contribution to meeting the UK's longer term needs is very great. If the industry is to play its part in the general transition from oil to other fuels and in the post-North Sea energy economy of the UK, it is essential that the development of efficient, modern capacity should proceed to provide the basis for future expansion of output.

7. This summer has shown the consequences of a relatively minor shortage in supply of one fuel. As oil becomes scarcer, strong competition can be expected to build up in world energy markets for supplies of all available fuels, including internationally traded coal. Failure to develop our indigenous coal resources efficiently would add substantially to future balance of payments burdens and substantially reduce the UK's security of supply.

16th July 1979