10 DOWNING STREET

PRIME MINISTER

You asked Mr. Howell to reconsider his Department's proposed evidence to the Vale of Belvoir Inquiry. His attached minute sets this in context, and offers a redraft. His further minute at Flag A comments on your suggestion that he should make enquiries of Taylor Woodrow. The original submission, on which you commented, is at Flag B.

May we tell Mr. Howell that the Department may now submit the revised statement?

MAD

25 July 1979

I have one further comment on the present draft. It says (para 3 underlined) 'Estimated recoverable reserves are very large'. Relevant to this enquiry is where those reserves are & how large are they? I see no indication of this in the rest of the evidence. M.T.

PRIME MINISTER

VALE OF BELVOIR INQUIRY

Mr. Pattison wrote to my Private Secretary on 18th July conveying your comments on the draft statement which I proposed should be submitted to the Belvoir Inquiry.

I realise that the Vale of Belvoir is a sensitive issue for a number of our supporters. Before however turning to the specific points you raised, it may be helpful if I explain the nature and status of the statement which has to be presented to the Inquiry. The statement would not be submitted over a Ministerial signature but in the name of the Department. It would not commit us to approving the development. The Inspector will submit his report to the Secretary of State for the Environment and it will then be for us to take our decision in the light of that report. My officials, when giving evidence, will be appearing as "friends of the court" and not as supporters of the NCB's application. They will be expected to explain the overall role we foresee for coal in our energy strategy but it will be for the NCB to make the specific case for the Belvoir development.

I have redrafted the statement to give greater prominence to the decisions taken at the Tokyo Summit, and to emphasise the important future role that nuclear power must play. You may have seen the speech which I made on the occasion of the UKAEA's 25th Anniversary underlining this point and I will let you have shortly a minute suggesting how we can best give new impetus to the nuclear power programme. Exploiting the UK's very large stocks of depleted uranium, to which you refer, will turn on developing the fast reactor. While I believe it is important to press ahead with this development, fast reactors cannot contribute to our energy supplies until the late nineties. The first priority must be our thermal reactor programme. We do not at present have a thermal reactor system readily available for series ordering or an industry which could take on a substantial programme at once. It will take time to put this right and we must make a start now. I am anxious that we should press ahead with nuclear power as soon

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as we can. But there is a limit, given the long lead times involved, to the contribution that even thermal reactors can make by the end of the century.

The room for manoeuvre in choosing between alternative strategies is limited. We are increasing our expenditure on the renewables and my officials are closely in touch with developments in this field. However, the contribution from all these sources including wind power for which we can hope, on the time-scale to which the present supply decisions are relevant, is very small. My Department would put it as no more than 10 m.t.c.e. in the year 2000, although the contribution could be much more important in the next century. The work done by my officials suggests that, if we are to meet our future energy needs, we will need both coal and nuclear as well as a substantially enhanced conservation programme. Coal will be needed for electricity generation until the nuclear power contribution expands during the 1990s and beyond to displace it. It will also be needed as a substitute for oil in lower grade industrial uses and, in the longer term, as a feedstock for gas manufacture and other synthetic fuels. You may be interested to see the attached summary table of my Department's most recent set of energy forecasts which highlights the possible overall demand/supply position at the end of the century.

I hope you can agree, in the light of this further explanation, to my Department sending the attached revised statement to the Inspector of the Belvoir Inquiry.

I am copying this minute to members of the E committee and to Sir John Hunt.

DH

Secretary of State for Energy

23 July 1979

UK PRIMARY ENERGY BALANCE

mtce

	1977	1990	2000
DEMAND			
Energy	332	370-390	400-460
Non Energy (incl gas and bunkers)	28	45	45-55
TOTAL	360	415-435	445-515
INDIGENOUS SUPPLY			
Coal	122	127-136	137-155
Gas	60	68-71	60-65
Oil	65	153	100
Nuclear and Hydro	16	34-35	88-95
TOTAL	263	380-395	385-410
Net Imports	97	25-50	40-120

The upper and lower ends of the range of estimated demand in 1990 and 2000 are related to, respectively, 3% and 2% assumed average annual growth in GDP.

BELVOIR INQUIRY

The statement gives the Department of Energy'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. They stressed the need for the expansion of nuclear power, without which economic growth and higher employment would be hard to achieve. They also undertook to pursue the development of new technologies and "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".

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

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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 main sources of energy, nuclear power and coal, 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. Estimated total recoverable reserves of indigenous coal are very large and, in addition, the UK has a substantial stock of "depleted" uranium, remaining from past operations of the civil and military nuclear programmes, which, if used in fast reactors, would provide a further valuable energy source.

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. The Government consider that nuclear power has a vital role to play in meeting the country's future energy needs and will develop policies to this end. There are, however, practical limits, because of the long lead times governing energy investment, to the contributions that can be relied upon within a given timescale from this or other sources. Even allowing for a maximum future contribution from nuclear power, there will still be a large and continuing need for coal.

Role of Coal

5. Against this background the Government foresees the need for a major future contribution from UK coal. Substantial contributions

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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 an continuing investment in new capacity, colliery production in 1990 would be lower than it is today and could fall to around 80 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.

23rd July 1979