

Ref. A083/2256

PRIME MINISTER



Prime Minister ⁽¹⁾
No - see ~~attached~~ letter ^{not}
Agree the draft letter at page A?

Please see minutes
from Ministers and from Policy Unit too.

MCS 26/7

The Secretary of State for Energy minuted you on 6 July to seek your help in establishing a separate energy conservation budget for his new Energy Efficiency Office. In particular he asked your agreement to the transfer to him of responsibilities and resources for the home insulation scheme from the Department of the Environment, for fuel saving publicity from the Department of Transport, and for industrial energy conservation from the Department of Trade and Industry. The Secretaries of State for the Environment and for Transport have since written to express their opposition. The Secretary of State for Trade and Industry has supported a move, but has pointed out that he no longer has any resources to transfer with the responsibilities. The Treasury also support the move, as long as its resource effect is neutral.

2. The proposals follow recommendations from a recent Rayner scrutiny on energy conservation, which were strongly endorsed by Lord Rayner. The report was, with your agreement, released before the Election to the Energy Select Committee, who had themselves recommended a more radical concentration of energy conservation responsibilities.

3. Energy conservation attracts particularly critical attention at the moment because, as the Secretary of State for Energy points out, the Government's position on nuclear power depends on its ability to demonstrate that it is also pursuing conservation energetically. The Rayner report's main findings "that the Department of Energy has had little direct influence over other Departments' priorities" and that its own Energy Conservation Division "has had little impact on general energy policy" are therefore not helpful.

4. The Department of Energy's present role is a co-ordinating one, with individual Departments taking the lead on conservation matters within their particular area of responsibility. The argument is that conservation is only one factor amongst many in Government decisions and an energy conservation policy is more



likely to be effective if those responsible for the decisions are also charged with taking energy conservation into account. That is the argument on which both the Secretary of State for the Environment and the Secretary of State for Transport build. Mr Jenkin argues that the Rayner scrutiny underestimated the extent to which home insulation work is an integral part of housing and home improvement policy, and fits naturally with his Department's other responsibilities for controlling local authority expenditure. He believes that there will be duplication of effort and some confusion of responsibilities if the work is transferred. Mr King uses similar arguments, and adds that responsibility for car fuel saving publicity was transferred to his Department from the Department of Energy only two years ago.

5. On the other hand, the Department of Energy's present role gives it little opportunity to push energy conservation effectively. Lord Rayner's view is also that the balance of efficiency rests with a transfer of some responsibilities. In the case of home insulation close consultation with the Department of the Environment would clearly still be needed, but the home insulation policy work as such - with its single-minded objective of energy conservation - should be separable. The Department of Energy would continue to use the Department of the Environment's regional offices to make provisional allocation of funds for the scheme to local authorities. A transfer of this limited kind would not run counter to previous policy of allocation of responsibilities because most energy conservation functions would remain with other Departments. But the Department of Energy would be given a stronger position from which to influence.

6. The main argument in favour of the change proposed by the Secretary of State for Energy is political and presentational. Failure to implement the Rayner recommendations could be attacked as signalling a lack of serious commitment by Government to energy conservation and would, at the very least, weaken the impact of the new Energy Efficiency Office promised in your Manifesto.

7. If the arguments were simply about efficiency and appropriate allocation of Ministerial responsibilities, I do not think that the case would be sufficiently made out for change. The efficiency gains



are by no means certain or large, and there could well be losses. The question is whether the political and presentational gains outweigh any possible (and they are only possible) losses in efficiency. I think they probably do and that the balance of argument points to a decision in principle in favour of Mr Walker's proposal, subject to satisfactory administrative arrangements being worked out between the departments concerned. I attach a draft Private Secretary letter accordingly.

Re
Approved by
ROBERT ARMSTRONG
and signed to him.

26 July 1983