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Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Nicholas Ridley AMICE MP
 Secretary of State for the Environment
 2 Marsham Street
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3 November 1986

Nick Ridley

ACID RAIN: DRAFT EC DIRECTIVE ON LARGE COMBUSTION PLANTS

I am grateful for the work that has been done on this issue leading to the proposals in your minute of 29 October to the Prime Minister. Much of it is, I think, well judged.

We should clearly make the most of our decision in September to employ clean technology in any new coalfired power stations. Provided that the specification you propose would not unnecessarily stretch the CEBG or British industry, I am entirely content with this element of your package.

But as for the remainder, I share the Prime Minister's concern that its cost should not go beyond the measures we agreed in September. I fear that the proposals on sulphur dioxide would require further retrofitting, potentially adding to public expenditure. It is true that there is a chance that we might achieve standstill in emissions between now and 1995, as you propose, but only if the agreed retrofit programme were accelerated and electricity consumption drops back after its recent rapid surge. On present trends it seems more likely that meeting the target would require another couple of retrofits at CEBG power stations, costing perhaps another £1bn over the next few years. It would be very unwelcome to embark on such a commitment.

An additional difficulty in advancing these proposals on sulphur dioxide is that it is clear that, costly as they are, it is unlikely that the rest of the Community would accept them as they stand, as you recognise. Reaching agreement would undoubtedly involve committing ourselves to further reductions in emissions, at still higher cost. So I feel that it would be a mistake to float the directive including this feature.

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Should we not be concentrating on moving the debate within the Community forward on new plant alone, where there is reasonable hope of agreement. This would leave the more contentious aspects of policy to be settled later. We could then, if need be, stand firm on our commitment on new plant which would demonstrate our concern.

If we can agree to adopt this strategy, it would seem sensible to drop the proposals on nitrogen oxides along with those sulphur dioxide reductions, since they both involve action to contain emissions from existing plant. This will enable us to work out what really is technically feasible in this area in time for any resumption of discussions of the other elements of the draft directive.

I am sending copies of this minute to other members of E(A) and to Sir Robert Armstrong.

Yours ever,
John

JOHN MacGREGOR

