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The Rt Hon Peter Walker MBE MP
Department of Energy
Thames House South
Millbank
LONDON
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My ref:

Your ref:

1. CDP
2. NBPm

6 November 1986

Dear Peter

ACID RAIN: DRAFT EC DIRECTIVE ON LARGE COMBUSTION PLANTS

I am writing in response to your minute of 5 November to the Prime Minister. Her Private Secretary's letter to mine, and the letters to me from Paul Channon and John MacGregor, are relevant. *FILE WITH DN*

We are agreed that we should grasp the opportunity of launching a Presidency package for discussion at the 24 November Council. The problem now is what we put into it. It is essential that the package should be a credible one if we are to pre-empt the Commission.

In view of the short time available before this opportunity is lost to us, I am ready to make concessions in order to resolve our differences on new plant and on NOx reductions. To meet Paul Channon's concern about the threshold, I am prepared to leave open the question of whether this should be set at 50 or 100mw in our package. I am also willing to broaden the emission limit bands in the light of your own comments. On NOx, I am prepared to dispense with the illustrative figure of 20% and to make the drafting changes that you suggest; I trust that on this basis John MacGregor would be willing to withdraw his objection to including this element in the package.

However, the crucial question remains SO2. I simply cannot see that a package which failed to address this would be taken seriously. And I cannot believe that colleagues, in agreeing to spend over £600m on retrofitting FGD, did not expect us to capitalise on this in the international negotiations. We run a real risk of losing all credit for the steps which we have announced. Worse, if as a result of the course you are asking me to pursue we are forced into a situation where we have to concede that UK SO2 emissions may be about to increase, this will negate all the arguments about our downward trend in SO2 emission which we have used up to now to justify our policy.

The latest SO2 figures show that we are already down 1.1m tonnes on the 1980 level. If we ignore the slight hiccup caused by the miners' strike, the downward trend has continued even since 1982 - despite the 10% increase in electricity demand since that date, to which both Paul and John refer. I understand your concern about future uncertainties, although other countries whose energy forecasts are no better than ours do not seem to share your

scruples. Looking at the figures your own officials have provided, it seems clear that if we cannot be certain of quite holding the line at 1.1m tonnes in 1995, we can at least be confident of managing a round 1m tonnes as soon as the effect of the second retrofit is felt - if not in 1995, within a year of that date. We cannot realistically put in a figure of less than this. I believe therefore that your concerns could be met by an addition to the paper on these lines:


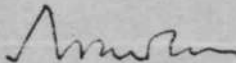
"3a. Among further issues to be addressed in negotiations will be means to adjust these targets to account for future:

(i) difficulties in the availability of certain fuels and plant types; and

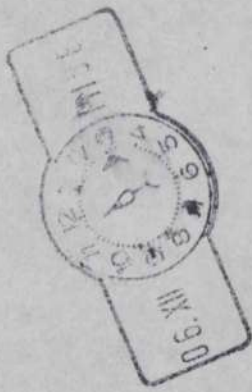
(ii) uncertainties in national energy forecasts."

I hope you will agree that we can go forward on this basis. I suggest that officials should meet, urgently, to sort out the details. It is quite clear from William Waldegrave's visits to Community capitals that we shall not be able to achieve our objective of seizing the initiative unless we can table something that deals adequately with the SO₂ issue as well as new plant and NO_x. We shall lose this opportunity if we leave this to another Presidency.

I am copying this to E(A) colleagues, to Geoffrey Howe and to Sir Robert Armstrong.

NICHOLAS RIDLEY



ENV ABHAR
Andhra

PTJ