

cc/BG

cc/PC

cc/B'ny

Prime Minister

ACID RAIN: DRAFT EC LARGE COMBUSTION PLANTS DIRECTIVE

Nicholas Ridley's minute of 8 June ^{with PM? (In W&E box, not returned)} recommends that we be prepared to make major and costly concessions to the Germans at the Environmental Council on 16 June. The costs would arise from the possible need to retrofit up to 6 more CEGB stations with FGD equipment by 2003.

Cecil Parkinson will not be returning from the Far East until Wednesday. I shall need to consult him about the proposals, but I think I should let you know that I have serious doubts whether the additional cost would be justified.

The Annex to Nicholas Ridley's paper acknowledges that, without taking further action, we should achieve the Government's target of a 30% reduction in SO₂ emissions by 1999. Table A shows that we should go on to achieve a reduction of 50-54% by 2005. This will be a very substantial improvement on the level of emissions in 1980. I have serious doubts whether total additional costs of about £1 billion are worth incurring so as to go beyond that and achieve 70% by 2003.

I recognise that, without a commitment to further FGD retrofits, the chances of reaching agreement in the near future on a Large Combustion Plant Directive are poor. I do not think this should cause us undue concern. We already have a substantial programme of three retrofits of large coal stations, at a capital cost of about £700 million at 1988 prices; and all new coal stations will have FGD fitted. That seems to me sufficient proof that we are prepared to play our part in reducing SO₂ emissions.

Nicholas Ridley suggests that, without a deal, privatisation will be more complicated. I agree that it is very desirable that when we come to draw up the prospectuses for the sale of the generating and distribution companies the uncertainty over future



investment in FGD retrofits should be minimal. However, I suggest that this could be achieved equally as well by stating that the Government did not expect more than the existing programme to be undertaken, or by stating that HMIP would require a specific number of further retrofits to be undertaken. (Paragraph 11 of the Annex to Nicholas Ridley's paper mentions 1 to 3).

I am copying this minute to Nicholas Ridley, other members of E(A) Committee, Sir Geoffrey Howe, Sir Robin Butler and Sir David Hannay.

Minister of State for Energy

13th June 1988