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Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Peter Walker MBE MP  
Secretary of State for Energy  
Department of Energy  
Thames House South  
Millbank  
LONDON  
SW1P 4QJ

9 February 1984

*Dear Secretary of State,*

COMBINED HEAT AND POWER SCHEMES FOR DISTRICT HEATING

You copied your letter to Patrick Jenkin of 18 January to me. I have to say that I am very sceptical about any further Government involvement in combined heat and power (CHP) schemes in inner cities at the present time. I hope we are agreed that the economics of such schemes, at least in England and Scotland, are so uncertain as to preclude public sector investment. And private sector involvement appears unlikely without a considerable degree of Government support, which could prove very costly in public expenditure terms. I could not go along with any action which encouraged the view that public funds would be available for the construction of such schemes.

*will request if required*

This need not stand in the way of private sector proposals for CHP schemes. We have provided in the Energy Act a favourable framework for private generators of electricity. And I have no objection to your providing encouragement and advice to potential consortia if they think they can work up viable schemes. But I believe the initiative must now pass to private sector if we are to avoid repeated calls from the Energy Select Committee and elsewhere for Government action and funding.

It follows that I am not happy with the way you suggest proceeding, which seems to me to be a more positive approach to CHP schemes than is justified, and than would be prudent to take. I should prefer a more neutral response, pointing to the work that has been sponsored by Government and saying that we have now reached the stage where the lead has to fall to those interested in working up schemes. This is no more and no less than we are doing for other potential private electricity generators.



This approach should obviate the need for any more Government expenditure at all. But I can appreciate that this could leave you with presentational problems with the Select Committee and other commentators. If you consider that transitional support is essential to enable the Government to hand over the lead to the private sector, I would not stand in the way of your providing support of up to £0.5 million for the preparation of prospectuses. This is of course subject to your finding the sum for your existing PES and Estimates provision and to your announcement making clear:

(a) this is the full extent of Government financial involvement in such schemes, and that we will not help fund further stages;

(b) you were not "inviting" prospectuses. Rather, if groups wished to put together plans for financing and organising schemes, you would be prepared to provide limited financial assistance, but that it would be for the groups concerned to decide whether they wished to carry the plans forward.

You will of course need to clear your announcement with the Prime Minister, to whom I am sending a copy of this letter as well as to the copy recipients of your letter.

*yours sincerely*

*PR*

PETER REES

*As covered by Archie  
Secretary & signed in his  
absence)*



- 9 FEB 1984

