



Am I right in thinking
that Northern Ireland
has extensive but
unworked coal deposits?
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Prime Minister (2)

ms 4/12

Northern Ireland Office
Stormont Castle
Belfast BT4 3ST

The Rt Hon Leon Brittan MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

13 December 1982

Handwritten signature

Handwritten initials

Thank you for your letter of 30 November in response to my minute to the Prime Minister of 11 November about the proposals to bring natural gas to Northern Ireland from the Irish Republic.

I am grateful for your confirmation that subject to your provisos and to the attitude of our colleagues, you do not oppose the project going ahead.

As far as your provisos are concerned, I can confirm that PES costs will be borne within the existing Northern Ireland PES allocations.

As I explained in the opening paragraph of my minute to the Prime Minister, my objective was to establish a viable Northern Ireland gas industry. It is certainly not my intention that the industry should be subsidised other than in the transitional years until it moves into profitability as foreseen in the project evaluation. I am, however, sure that you do not expect me at this stage to guarantee against all future contingencies, nor to commit succeeding administrations.

I have no objection to officials discussing financial targets. On the assumptions used in the analysis, the Kinsale project yields an internal rate of return of 6.9% in real terms. As you know, I intend private sector involvement if at all possible and, if I am successful in this respect, financial targets would not be appropriate. If, however, you



feel that it would be helpful to plan against the possibility that the industry will remain completely in the public sector, I am content that we should do so.

I am sending copies of this letter to the Prime Minister and to other recipients of yours.

*Yours
Truly*

cc. PS/PJS (L+B)
PS/Sir E Bell
Secretary
MR Angley
MR Cole ✓
MR Burns
MR Alexander
MR Shepard
MR Stummond
MR Warnock



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10 DOWNING STREET

From the Private Secretary

24 December 1982

COAL DEPOSITS IN NORTHERN IRELAND

Thank you very much for your letter of 23 December about coal deposits in Northern Ireland.

I showed this to Mrs. Thatcher. She was most grateful for the work that had gone into it.

M. C. SCHOLAR

D.A. Hill, Esq.,
Northern Ireland Office.

From: THE PRIVATE SECRETARY



NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
LONDON SW1P 3AJ

Michael Scholar Esq
Private Secretary
No 10 Downing Street
LONDON SW1

Prime Minister (2)

You asked

23 December 1982

about this.

Ms 23/12

Dear Michael

You wrote to John Lyon on 15 December about the Prime Minister's enquiry about coal deposits in Northern Ireland.

Unfortunately there are no known commercially exploitable reserves of hard coal in Northern Ireland. Small seams were worked in the nineteenth and early twentieth centuries at Ballycastle and Coalisland - but both deposits petered out in the early part of this century. There has however been recent publicity about lignite deposits on the Eastern shore of Lough Neagh. Although their existence has been known for many years and samples were examined from time to time, the deposits were not regarded as worthy of commercial exploitation until recent times.

A mineral exploration licence covering the area of the deposit is held by the firm Mining Investment Corporation (Mincorp) which is a subsidiary of Burnett & Hallamshire Ltd. The reserves of lignite which can be regarded as proven at this stage are nearly 100 million tons in two seams at depths down to about 500 feet. The site is on the edge of Lough Neagh with a high water table. At the moment the study of the hydrology of the area is incomplete and the results of that study will have very great significance for the financial viability of a mining operation.

At its recent half-yearly shareholders' meeting Burnett and Hallamshire made a very "bullish" presentation on the Northern Ireland lignite speculating that additional deposits located under Lough Neagh could raise the reserve to 400 million tons or 500 million tons and suggesting this could provide Northern Ireland's total energy demand for many decades. Our expert advice is that a statement on the extent of any deposit beyond the 100 million tons already proven can only be speculative. Even if there were additional deposits under the Lough the possibility of recovering them at economic cost is open to severe doubt at this stage. The bullish projection by Burnett and Hallamshire of the prospects for exploitation of the deposit is probably conditioned by their need to point to prospects for growth in the next decade at least as good as they have had in the last.

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For the record, lignite (which the company insists in its public presentation on calling "coal") is a less mature fuel than the normal hard coal mined in Great Britain. The lignite available at Crumlin will have a moisture content of around 60% when mined and will require to be dried to about 10% moisture content before it is ready for processing to the forms in which it is likely to be used. Some 2.6 tons of mined lignite will produce about one ton of dried fuel, with about two-thirds the calorific value of one ton of hard coal. For the purposes of a financial comparison with coal we can assume wet lignite might be mined at £10 per ton. Dried lignite would then cost around £26 per ton and for equal calorific value the purchaser would be paying a coal-equivalent price of £39 per ton. Any further processing of the lignite - pelleting, briquetting, pulverising - would add to the cost as would transport. In all the circumstances, finding the optimum use of the lignite resource involves examination in depth of a complex set of options. The Department of Economic Development has therefore commissioned a group of relevant consultancy firms under the co-ordinating umbrella of Coopers & Lybrand to report on the exercise from mining to end-use.

A copy of this reply goes to Julian West at Department of Energy.

*Yours ever
Derek A Hill*

D A HILL

Ireland. Economic Cooperation : May 79.

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10 DOWNING STREET

From the Private Secretary

15 December 1982

NATURAL GAS IN NORTHERN IRELAND

The recent correspondence about the proposal to bring natural gas to Northern Ireland from the Irish Republic has led the Prime Minister to enquire whether she is right in thinking that Northern Ireland has extensive but unworked coal deposits.

BAH
I would be grateful for a note on this subject.

I am sending a copy of this letter to Julian West (Department of Energy).

M.C. SCHOLAR

John Lyon, Esq.,
Northern Ireland Office

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