

CONFIDENTIAL

Prime Minister
Do you want Greg Bourne
17 February 1989 to follow
this idea up?

PRIME MINISTER

Yes not

NUCLEAR LEVY AND CLIMATIC CHANGE

REC 6 17/2

Norman Lamont and Nicholas Ridley have recently been in correspondence with Cecil Parkinson on the above subject. They have suggested that the nuclear levy, rather than being shared out on a per KWh basis over all fossil fuel stations, should be shared out on CO₂ weighted-KWh basis.

Calculations carried out by myself and by the Treasury with the following assumptions:

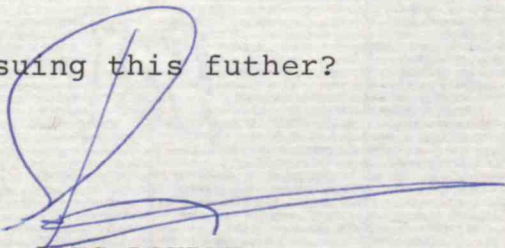
- fossil fuel electricity at 3.5p/KWh
- nuclear electricity at 5p/KWh, and
- capacity split nuclear 20%/fossil fuel 80%

show that the nuclear levy on a coal fired station would be 0.3p/KWh and on a combined cycle gas turbine about 0.15p/KWh.

The difference in absolute terms seems small, however, in merit order terms, it is significant.

DEn are dismissive of the idea, however, I believe it bears detailed study.

Are you interested in me pursuing this further?


GREG BOURNE

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