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PRIME MINISTER

14 April 1989

CLIMATIC CHANGE

ENERGY EFFICIENCY AND THE ELECTRICITY BILL

On the day before your seminar on Global Climate Change, the House of Lords will begin debating the Electricity Bill at Second Reading. Judging by the type of amendments tabled by the Opposition in the House of Commons, Their Lordships are likely to table similar amendments concentrating mainly on energy efficiency and energy conservation.

At your seminar, you will hear that one of the major abatement strategies to be used to slow down climatic warming is the promotion of energy efficiency and energy conservation measures. The Electricity Bill is passive in nature on these matters.

The Electricity Bill contains measures to promote the efficient production of electricity; however, this is not synonymous with the efficient use of energy. Thus the Electricity Supply Industry may well be encouraged to invest in improving "electricity production thermal efficiency" from say 35 per cent up to 37 per cent while foregoing investment opportunities in Combined Heat and Power schemes. (Here, "electricity production thermal efficiency" remains at 35 per cent but 25 per cent useable heat is also obtained, leading to an overall 60 per cent efficiency.)

Following privatisation, the ESI will still tend to be supplyside oriented. Whilst Powergen (led by Bob Malpas) and one or two area boards may well encourage energy efficiency, the remainder of the ESI will concentrate on engineering-led supply side solutions, i.e. they will build capacity rather than help manage demand.


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Cecil Parkinson and his ministers are in rather a difficult position. They have publicly said during the passage of the Bill that there are sufficient efficiency measures in place. They want no amendments but may be forced to make concessions during the Bill's passage through the Lords.

Concessions can be made, mostly via changes in the licences and regulations. I believe you will wish to know what DEN propose and how they intend handling the Bill in the Lords, lest their ideas clash with your initiatives.

Perhaps DEN could prepare a short paper?



GREG BOURNE

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