PRIME MINISTER

**GOVERNMENT RESPONSE TO THE ENERGY SELECT COMMITTEE REPORT ON THE ENERGY POLICY IMPLICATIONS OF THE GREENHOUSE EFFECT**

You may recall that there was a difference of view between the Treasury and DOE about what the Response should say about targets for reducing greenhouse gases; and on the pricing of fuels to reflect environmental costs. I attach the final revised version of the response with the two relevant passages flagged and highlighted. My manuscript amendments represent the latest revise of the passage on targets (para 1.9), which has been amended to reflect the text of your UN speech.

The Secretary of State for Energy has decided to retain the wording suggested by Mr Patten as follows: "In addition the Government will continue to press for the pricing of fuels to reflect their full economic and environmental costs.." I have pointed out that this seems to go rather further than your UN speech.

However, Mr Wakeham says that the passage is consistent with the Government's long-held view that such prices should reflect the full resource cost; and that the long-term cost of environmental damage is something that the Government now needs to take account of. He also explains that he "said as much" in his recent speech to the World Energy conference in Montreal; and the DOE's recently published booklet, "Global Climate Change" reinforces the point. He also feels that the issue cannot be ignored in the Response.

Content for the Government's response to be issued tomorrow as in the attached draft?

CNB

Caroline Slocock
7 November 1989