



PRIME MINISTER

I have discussed with Sir Walter Marshall the potential for speeding up the cross channel electricity link. In particular I have asked him to explore with the French the possibility of bringing the project forward so that it is completed next October, and is able to make an important contribution to endurance from that period onwards.

The commercial terms of an agreement will of course be important to both sides. The main features proposed by the French are as follows:-

- (i) maximum feasible utilisation of the channel link for both "peak sharing" and trading;
- (ii) CEGB commitment to import up to a maximum of 14 TWH per annum;
- (iii) the price basis for French electricity would be industrial tariff C, the rates of which are at all times of the day and week below CEGB's marginal costs at equivalent times;
- (iv) the agreement to run for 4 years, but renewable on the same terms for a fifth year;
- (v) the price basis to be renegotiated if UK coal prices moved outside a range of 1.05 to 0.95 of its relativity to French prices at the time the agreement was reached; and



- (vi) EdeF would have a commitment to supply power to CEGB in the event of disruption of coal or other fuel supplies to CEGB.

At a very preliminary guess, and assuming maximum imports, an agreement on this basis might bring a cost reduction estimated by the CEGB at around £137 million per annum. It would however have a substantial adverse effect on the balance of payments, and might displace about three million tonnes of NCB coal per annum. Such a displacement could well add significantly to the National Coal Board's costs, at least until the Board had fully adjusted to the lower levels of demand.

It is obviously a very sensitive area and I anticipate you will have to come to conclusions early in September when Sir Walter reports to me on the French reactions to his further soundings.

I would be grateful if you could let me know which Ministers you would like to be involve in reaching decisions on this matter. I will then arrange that they and your office obtain a secret briefing, as soon as all the facts and figures are known.

SECRETARY OF STATE FOR ENERGY

15 August 1984

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10 DOWNING STREET

*From the Private Secretary*

16 August 1984

CROSS-CHANNEL ELECTRICITY LINK

The Prime Minister has considered your Secretary of State's minute of 15 August, the text of which was passed to her in Austria.

The Prime Minister would be grateful if your Secretary of State could at this stage involve only the following Ministers in further consideration of this matter: the Chancellor of the Exchequer, the Chancellor of the Duchy, and the Secretary of State for Trade and Industry. The Foreign and Commonwealth Secretary should, however, be consulted as necessary, and Mr. Gregson in the Cabinet Office should receive copies of all papers and be invited to meetings.

BF

The Prime Minister would be grateful for a progress report from your Secretary of State in early September.

(DAVID BARCLAY)

J.S. Neilson, Esq.,  
Department of Energy.

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PRIME MINISTER

CROSS CHANNEL ELECTRICITY LINK

ATTACHED IS THE TEXT OF A MINUTE FROM MR WALKER ABOUT SPEEDING UP COMPLETION OF THE CROSS CHANNEL ELECTRICITY LINK. HE HAS ASKED SIR WALTER MARSHALL TO EXPLORE THE POSSIBILITY OF BRINGING FORWARD COMPLETION TO OCTOBER 1985.

THE ONLY POINT THAT NEEDS YOUR DECISION NOW IS IN THE LAST PARAGRAPH, IE WHICH MINISTERS TO INCLUDE IN FURTHER CONSIDERATION OF THESE MATTERS.

THE FRONT RUNNERS, APART OF COURSE FROM MR WALKER HIMSELF, ARE THE CHANCELLOR OF THE EXCHEQUER AND THE SECRETARY OF STATE FOR TRADE AND INDUSTRY. BUT IF YOU WANTED AN INDEPENDENT VOICE, YOU MAY LIKE TO ADD LORD COCKFIELD, AND BECAUSE OF THE INTERNATIONAL DIMENSION THE FOREIGN SECRETARY MAY NEED TO BE CONSULTED FROM TIME TO TIME.

AGREE:

1. CHANCELLOR, MR WALKER, MR TEBBIT AND LORD COCKFIELD, PLUS PETER GREGSON, SHOULD SEE ALL PAPERS.
2. FOREIGN SECRETARY SHOULD BE CONSULTED AS NECESSARY.

DAVID BARCLAY

15 AUGUST 1984

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