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From: J B UNWIN

13 December 1985

(18pm

cc Brig Budd

MR NORGROVE - No 10

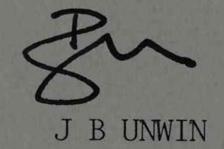
COAL STOCKS AT CEGB POWER STATIONS

As foreshadowed in my minute of yesterday to Brigadier Budd, the Energy Secretary has now minuted to the Prime Minister (his minute of 12 December) recommending that there is no justification in the present industrial relations climate for aiming at a greater level of security than stocks of 27 mt by the end of October 1986. The minute also contends that raising stocks to 27 mt would not entail any PSBR cost.

- 2. The decision at the Prime Minister's meeting on 24 July was that the intermediate objective should be to achieve stocks of about 22 mt by March 1986. This would keep open the option of moving to 31 mt (representing about 1 year's endurance), on which a decision should be taken this month. The Prime Minister herself was inclined to favour 31 mt; the Chancellor, largely because of the then estimates of additional costs, argued for not going beyond 22 mt (6 months endurance).
- 3. I understand that the Treasury endorse Mr Walker's assessment of the industrial relations situation. There <u>preliminary</u> view also is that Mr Walker's numbers are right (ie building up to some 27 mt would not add to the PSBR). Unless, therefore, the Prime Minister does not herself accept the assessment of the likelihood of renewed industrial action next winter, or she still feels that it would be right <u>now</u> to set a target of stocks of 32 mt (12 months endurance) by October 1986, I should not have thought that the proposed meeting next Thursday (19 December) was necessary. It is worth bearing in mind also that, as Mr Walker's minute makes clear, the options for building up to the higher figure, should the industrial relations prospects worsen during the next few months, will remain open, and it should be possible to take a decision at short notice to increase the build up. Stocks of 27 mt will also be higher than those (24 mt) at the beginning of the last coal strike; and more power should be available this time from the French Interconnector and the availability of some 400 kt of coal a week that the UDM areas are expected to be able to produce.
- 4. You will, of course, wish to take the Prime Minister's view on this. But subject to that, and to confirming on Monday with the Treasury that they are content



with the figures, I suggest that you might dispense with the planned meeting. In reply to Mr Walker, however, the Prime Minister would no doubt want to stress the need to keep the industrial relations position under close and continued scrutiny, so that the decision on stocks could be reviewed very quickly if the prospect worsened.



Cabinet Office

