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COAL AND UDM

In notes dated June 29 and July 6, Greg Bourne alluded to the scope for coal liberalisation prior to privatisation in the next Parliament. The later note specifically addressed ways of helping the UDM.

I attach a memo from Ian Coulter who advises East Midlands Electricity, illustrating a specific instance of the sort of private coal project which might be available with UDM support. You may find this of interest in briefing the Prime Minister.



GEORGE GUISE

NEW OPPORTUNITIES FOR NOTTINGHAMSHIRE MINERS

The privatisation of the Electricity Supply Industry provides an opportunity to introduce new clean coal technology for power generation and at the same time introduce innovative share ownership arrangements for UDM miners prior to the privatisation of British Coal after the next election.

East Midlands Electricity and British Coal have pioneered the development of a small coal fired power station to be established at Bilsthorpe Colliery which utilises proven technology but new to the UK in terms of power generation that minimises SO₂ and NO_x emissions and provides electricity at competitive prices. The plant will be established close to an existing colliery and will burn "run of the mill" coal which requires no preparation prior to combustion, and also eliminates transportation costs. The project secures the life of the pit and the environmental impact is kept to a minimum both due to the size of the plant and the fact that the existing overhead lines can be used to dispatch the power to the National Grid. This is in stark contrast to the environmental impact of such major projects as Fawley "B" and far from opposing the project, mining communities and the local authorities fully welcome this concept.

This project will be a non-recourse finance package with the equity being mainly held by British Coal and East Midlands Electricity, while the turnkey contractor will also be invited to be an equity holder. British Coal will use their equity holding to provide shares to miners employed at Bilsthorpe Colliery. This wider share ownership will give comfort to the financial world in terms of continuity of fuel supply throughout the period of the debt recovery for the project which will be for a 15 year period.

The Joint Venture will probably be named "Coal Power (East Midlands) Limited and could well be the first of several such environmentally acceptable projects. While emission levels are significantly reduced, the improvement in efficiency compared with new large coal fired power stations is marginal. These smaller plants however can play a significant part in dealing with the greenhouse effect, as they will provide an opportunity to achieve early closure of the most inefficient older coal fired plant. Over the next five years it is feasible to establish three such power plants in the East Midlands region thereby assisting with the difficult transition for British Coal as they prepare for privatisation.

Flexible working arrangements in providing fuel supplies to these power stations will be essential. So the support of the UDM is vital at a time when there is every likelihood that the coal contracts with the CEB's successor companies for the next five years could normally result in up to half of the Nottinghamshire coal field being subject to closure.

The establishment of these UDM-fuelled power plants would also be of significant help to British Coal as they prepare to face competition from the international coal market. Fluidised bed technology is now well established and these projects have the advantage of being environmentally acceptable, readily supported by financial institutions and giving a firm base from which Nottinghamshire miners could well expand their activities after privatisation to collieries elsewhere in England and Wales. No financial support is required for the successful implementation of these projects other than an equivalent level to that being provided for British Coal's initial contracts with the CEGB successor companies.