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PAUL GRAY

23 November 1989

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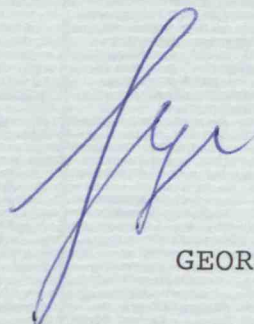
attached?

COAL BILL

A letter of today's date from Patten to Wakeham argues that British Coal should be responsible for the restoration of its defunct pithead areas and tips. The estimated cost is £95 million over 20 years. This is a good proposal which should be supported. It is consistent with private mining practice in countries like Australia, South Africa, Canada and the United States. The present practice of allowing British Coal to leave an environmental mess behind their defunct operations is more in keeping with practice in Eastern European and other socialist states!

Furthermore, requiring British Coal to reserve a fraction of its current operating costs for future site reclamation, will make declared costs more realistic. This in turn will affect the price at which coal can profitably be sold and thereby assist in weeding out unprofitable activities.

It may be that Wakeham will support Patten's suggestion without further ado, in which case there would be no intervention needed from here. However, if there is an argument, I recommend the Prime Minister minutes along the above line.



GEORGE GUISE

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CCP
2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000

My ref:

Your ref:

The Rt Hon John Wakeham MP
Secretary of State
Department of Energy
Thames House South
Millbank
LONDON
SW1P 4QJ

MBana at this stage -

RACC 23/11

23 November 1989

Dear Secretary of State,

*will request
will be reviewed*

Thank you for sending me a copy of your letter of 8 November to Geoffrey Howe about the Coal Bill.

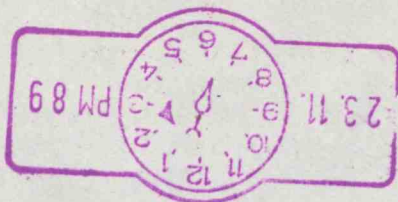
As Nicholas Ridley indicated in his letter of 13 July to Cecil Parkinson, we are content with the proposal to ease the licensing limits on private sector coalmining. I am also content with your proposals to enable British Coal to grant exploration licences to the private opencast sector which, as I understand it, will ineffect regularise a practice which has been going on for some time.

However, this item is likely to produce misconceived accusations that we are opening the door to environmentally-damaging activity. To show that this is not so, we will obviously wish, in presenting the Bill, to emphasise that all opencast mining proposals will continue to be subject to planning approval and, if approved, to proper conditions on operation and land restoration.

I have no objection in principle to the financial clauses in the Bill, but Nicholas Ridley's letter of 13 July did put up a marker about the possibility of increased costs falling on British Coal once the Informal Working Group on British Coal and the Environment had completed their work. I understand that the Group are making good progress and hope to report to us in the New Year. Without wishing to pre-judge the outcome of their study, there is one point in particular which causes us concern.

As you know, the majority of British Coal's deep mines were commenced before the advent of the planning system and there is no requirement on them to restore the pithead area and associated tips once collieries close. As a result, the cost of reclamation falls





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substantially on the derelict land grant programme. This cannot be in accordance with the "polluter pays" principle, and it distorts the true cost of coalmining.

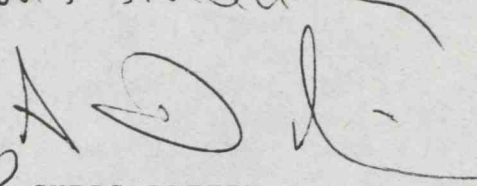
I am anxious therefore that responsibility for restoration should be placed where it belongs and that the industry should make provision now for future restoration liabilities. My officials have estimated that the maximum total costs for British Coal would be in the order of £95 million over some 20 years. I recognise that as British Coal have made no provision in the past for these liabilities, they may need to be covered, at least initially, by the proposed deficit grant. However, the amount is modest in comparison to your proposed provisions of £4-4.5 billion and, as we all hope that the industry will move into profitability over the next few years, responsibility for the costs of restoration thereafter will fall quite properly on the industry rather than the public purse.

The prospect of a further round of colliery closures mentioned in your Memorandum to the Committee, and the significant implications this would have for the Derelict Land Grant Programme, give added urgency to making such a change now.

My officials have had preliminary discussions with yours on this matter, and I should be grateful for your confirmation that the provision you are proposing for deficit grant in Clause 1 of the Bill will be sufficient if necessary to cover the cost of British Coal's liabilities for future restoration of colliery and associated tips.

I am copying this letter to Geoffrey Howe and other E(A) colleagues.

Yours sincerely

PP

CHRIS PATTEN

*(Approved by the Secretary of State
and signed in his absence)*



Recycled Paper



Cecil

2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000

My ref:

Your ref:

The Rt Hon Cecil Parkinson MP
Department of Energy
Thames House South
Millbank
LONDON
SW1

W.B.P.

13 July 1989

PRG
13/7

Dear Secretary of State,

Thank you for sending me a copy of your letter of 16 June to John Wakeham about your proposed Coal Bill.

I share your view that legislation to implement the Government's 1987 White Paper response to the Waddilove Committee should be introduced in the present Parliament. I know there is some anxiety in coal mining areas that the changes have not yet been made. The necessary improvements to the coal mining subsidence compensation system will be an important step towards striking the right balance between underground and surface interests.

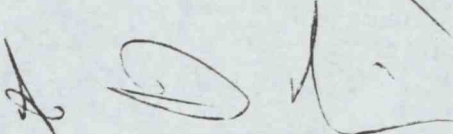
I am very content with your proposals to ease the licensing limits on private sector coal mining: the necessary environmental safeguards are already in place in the land use planning system.

I note that the core of the Bill comprises further financial support for British Coal. Officials from our Departments are currently meeting British Coal to examine progress on minimising the environmental impact of local extraction, spoil disposal and coalfield dereliction and to make recommendations for future action. I understand that they hope to report to us before the end of the year. Nevertheless, I think it is already clear that there are a number of issues which we will need to address - the British Coal's unrestricted rights to carry out underground development at pre-1948 mines and the question of where responsibility for the costs of restoring closed collieries should lie. Currently British Coal have few obligations to restore their sites and the cost of reclamation falls substantially on the derelict land grant programme.

Without wishing to pre-empt the outcome of our officials' work, I think it is worthwhile putting up a marker now that we may wish to tighten up British Coal's environmental responsibilities. This could involve additional costs for the industry, but would be in line with the polluter pays principle.

PARLIAMENT: Legislation PT18.

I am copying this to the Prime Minister, Nigel Lawson, David Young, Peter Walker, Malcolm Rifkind, other members of QL Committee and to Sir Robin Butler.

Yours sincerely


PP NICHOLAS RIDLEY

688/1 (Approved by the Secretary of State
and signed in his absence)

103 JUL 1993