SECRET AND PERSONAL

25

s/c JV

Prime Minister

POWER STATION ENDURANCE

I have seen the report of MISC 57 circulated under Mr Gregson's minute of 3 December.

The CEGB have now completed the feasibility studies referred to in paragraph 17(i) of the report and have concluded that power station coal stocks in England and Wales could be increased by 4 million tonnes to 30 mt by November 1983. This would represent 24-26 weeks endurance in terms of fuel supplies. I will ask the Board to work to this target and will discuss further with them, the NCB and British Rail, the logistics of delivery and the details of the additional costs involved. I propose to finance these costs in the same way as those incurred earlier this year, and will write to the Chancellor with details in due course.

As regards ancillaries, I am concerned at the proposal that we should take no action to increase stocks of carbon dioxide at nuclear power stations - on which a significant 15 per cent of our electricity supplies depend - beyond the present level of 3 weeks. I believe we should seriously consider the earliest possible increase in storage capacity and I propose to pursue with the CEGB how quickly and at what cost stocks of carbon dioxide could be brought up to 20 weeks endurance allowing for a single replenishment.

MISC 57 recommended that the NCB should offer discounts of about £3/tonne on supplies to certain industrial consumers with the aim of persuading industry to hold larger stocks this winter than they might otherwise have done. Officials in my Department and the Treasury have agreed that the cost might be met by an increase of up to £2.5m in the NCB's deficit grant, though the Board's EFL would remain unchanged for the moment. I hope the Chancellor can confirm quickly that he is content for me to proceed on this basis.

SECRET AND PERSONAL

I am sending copies of this minute to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Defence, Scotland, Industry, Transport and Employment, and to Sir Robert Armstrong and Mr Sparrow.

Secretary of State for Energy

14 December 1982