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PS/
Secretary of State for Trade and Industry

7 December 1984

M F Reidy Esq
Private Secretary to the
Secretary of State for Energy
Department of Energy
Thames House South
Millbank
London SW1

Dear Michael,

COAL FIRING SCHEME

Thank you for sending us a copy of your letter of 13 November to Andrew Turnbull at No 10, together with the Chief Secretary's minute of 19 November and Andrew Turnbull's reply of 21 November. Against the background of the coal strike, we have no reason to object to the agreed deferral of the review, or to keeping the facility open for the time being within current limits.

2 However, we have noted the relatively generous nature of coal firing scheme assistance in present circumstances, when compared with the extreme financial stringency applied to applications under the Section 8 general facility and indeed the moratorium now imposed on most applications for R&D support under the Science and Technology Act. Had it been appropriate to review the scheme at this stage, Ministers here would have wanted to look very critically at whether this remained an effective use of Government money. Whatever the arguments advanced within Government to justify the scheme in terms of the effect of coal stocks on the PSBR, we do not believe that industry generally would understand why it should be easier to get public funds for commercially-justified investments in energy conversion than for other investment projects with similar returns.

3 Your Secretary of State will indeed be aware that this point was made by some members of the Industrial Development Advisory Board when considering a recent case which met the criteria of the coal firing scheme. My Secretary of State would therefore wish to

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File 10

10 DOWNING STREET

From the Private Secretary

21 November 1984

COAL FIRING SCHEME

The Prime Minister has seen your letter to me of 13 November and the Chief Secretary's minute of 19 November. She agrees that it makes sense to defer the review of the future of the Scheme for about six months when it should be possible to see more clearly the supply and demand balance after the strike. She believes, however, that in the context of the Government's case on the mining dispute, it would be better to leave the Scheme open, accepting such applications as there are up to the previously agreed commitment ceiling.

I am copying this letter to Richard Broadbent (Chief Secretary's Office, H.M. Treasury) and Callum McCarthy (Department of Trade and Industry).

ANDREW TURNBULL

Michael Reidy, Esq.,
Department of Energy.

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