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MR. ALEXANDER

Prime Minister's Visit to Greece: Power Station Projects

The letter of 19 September from the Private Secretary to the Secretary of State for Trade alerted you to the fact that without some financial help to the NCB from the Government, the UK package of GEC power plants, NCB/Shell coal and BNOG oil must remain as it is, and the risk incurred that the Greeks after all would reject the package offered. Following negotiations this morning, the Ambassador in Athens now considers that an agreement on the package is achievable provided two coal issues are resolved.

First, the NCB has to set out a clear cut formula covering an assured 25 year coal supply for the power station. Second, the NCB has to offer the additional coal referred to in the Private Secretary's letter. The volume required is at least 200,000 tonnes to be delivered as a once-off supply in 1984 for the coal stockyard. The base price has to be current world prices subject to agreed escalation formulae. If the NCB were to guarantee this tonnage from UK sources then the price difference between NCB coal and American coal is currently some US\$25 per tonne. 200,000 tonnes would therefore require a subsidy of some US\$5m or £2m at today's prices. It may be possible to minimise the cost by guaranteeing supplies from world sources at today's prices, and in that event a greater supply than 200,000 tonnes might be possible. It would be our objective to negotiate the best deal possible with the NCB commensurate with the objective of securing the total package at least cost to the public purse. The GEC contract if won would be worth some US\$400m to the hard pressed UK power plant industry with the potential for further orders thereafter for British industry.

You agreed to update the Prime Minister on the latest position and to seek her views on the possibility of a specific subsidy to the NCB as outlined above. We noted that should the Prime Minister

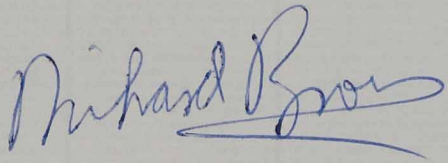
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/ agree

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- 2 -

agree to the proposal, it would be necessary to consider the financial arrangements with the Treasury and the Department of Energy.

A handwritten signature in blue ink that reads "Richard Brown". The signature is written in a cursive style with a prominent underline.

(R.A. BROWN)

MEE Division,
Department of Industry.

20 September, 1980.

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