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T P Lankester Esq
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13 October 1980

Dear Tim,

SALES OF GAS BY THE NATIONAL COAL BOARD

The minutes of the E Committee meeting on 15 September record the suggestion that there might be opportunities for the National Coal Board to increase their sales of gas manufactured from coal. My Secretary of State has looked into this point and has asked me to write to let you know his conclusions.

Within the timescale of the Financial Strategy for the NCB, the two possibilities are both essentially the sale of by-products from the NCB's existing activities - gas from the coke ovens owned by NCB's subsidiary National Smokeless Fuels, and colliery methane.

Sales of coke oven gas brought in £8.5m in 1979-80. Virtually all the gas produced is either sold or used by NSF themselves in their own operations; only 1% of available gas is flared - a figures which compares favourably with anything achieved offshore. The balance between using gas in NSF's own operations and selling it naturally depends on market circumstances (at present NSF get greater benefit by using it themselves), and NSF keep it under constant review. Rising gas prices may enable NSF to increase revenue from sales of gas somewhat, but there is no prospect of their securing prices which would justify expanding coke oven operations with gas the primary product (NSF already produce coke surplus to demand).

NCB have in recent years taken the opportunity presented by rising gas prices and vigorously expand their sales of colliery methane. Some four years ago, their sales in the Western Area (where their saleable surplus arises) were only about £0.1m a year; as a result of a new marketing drive they were some £4m in 1979-80, and NCB are now examining further plans which might increase sales to some £7m a year in the next three years.

My Secretary of State's general conclusion therefore, is that the NCB are already actively exploiting the opportunities presented by these by-products, and that the sums involved are, in any case, very small in relation to the coal industry's total finances. In



the longer term however, there may well be opportunities for substantial sales of coal for gasification, either for the manufacture of Synthetic Natural Gas, or for the manufacture of low calorific value gas for industry. While a pilot plant for Synthetic Natural Gas has been developed in the UK, it will, as you know, be some time before full-scale manufacture becomes economic.

I am sending copies of this letter to the offices of the other members of E Committee and to Sir Robert Armstrong.

Yours ever,

J D West

J D WEST
Private Secretary