

✓ Mr Lyden
✓ Mr Walker
Mr Hodgson
Mr Walker

PRIME MINISTER



The Chancellor's concession
in the budget on electricity
prices should help ICI's
Runcorn plant. But Departments
are also considering the possibility
of offering them selective
assistance under the
Industry Act
as well.

ICI: ELECTRICITY COSTS

1 There is a possibility that ICI may shortly be seeking to make a public issue of electricity costs at their Runcorn Chlorine plant and threaten to close it down. I thought you should know the background.

2 The work of the NEDO Task Force has shown that there is at present a marked disparity between the prices charged to large high load-factor chemical users in this country and the sterling equivalent of prices charged to similar users in Germany and France. Figures agreed between the electricity industry and the Chemical Industries Association were annexed to my minute to you of 24 February.

3 Electricity costs at Runcorn have for some time been under active discussion with the local Area Board whose prices to ICI are amongst the lowest in the country, reflecting the importance of the load, and its characteristics. ICI approached the Department a few weeks ago to discuss whether there might be advantage in direct supply from the CEGB. We encouraged them to take this up at Board level even though, since we understood they were buying at not much above short-run marginal costs, it did not seem very likely that significant further advantage would be identified. They are shortly expected to send the Department a memorandum on their discussions. This may suggest the need for a considerable discount (perhaps as much as 50%) on current rates if the electricity-intensive chlorine plant at Runcorn is to be fully competitive on present prices with ICI's similar plant in Germany.

what about notes?

4 We shall need to discuss the memorandum carefully with ICI and establish whether like really is being compared with like: the Electricity Council suspect for instance that special assistance from the Land Government has enabled significantly lower prices

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to be given. We have asked ICI for permission to use their data about their German prices in talks with the German Government as we can only point out unfair competitive practices if companies provide us with hard facts and let us use them. Although they refused to agree to our doing so, we shall be pressing them again on this point.

5 We are in fact examining further ways in which ICI might be helped but there seems to be no way in which the Boards could come close to matching German prices for large intensive customers without selling at a very considerable loss. As I mentioned in my letter of 24 February to Geoffrey Howe, I have asked my officials to discuss with DOI and Treasury officials the possibility of DOI providing assistance for Runcorn.

Part A

6 I am copying this minute to Geoffrey Howe and Keith Joseph.

DA.

SECRETARY OF STATE FOR ENERGY

25 February 1981