

CC Mr. Walters
Harkyns
Wolfe



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Qa 05650

To: MR LANKESTER

From: J R IBBS

3 August 1981

MISC 56 - Industrial Electricity Prices

1. Tomorrow morning the Prime Minister is due to hold a meeting to consider again the case, set out in the Secretary of State for Industry's minute dated 27 July, for a general scheme to provide a 10 per cent rebate for one year on the bills of those industrial consumers who have an annual maximum demand of at least 1 MW and an annual load factor of at least 50 per cent, or 30 per cent load factor for steel firms.
2. The scheme has obvious difficulties both in its cost to the Government (£80-90m.) and the likely reaction of the European Commission. However, there is still much pressure from industry for action on prices, particularly from those sectors which are heavy users. Whether or not a scheme on these lines should be provided as some immediate easement of their problems seems to me to be a political judgement. 10 per cent rebate for one year, while better than nothing, will not solve the fundamental problem for the heavy users but it should reduce the volume of complaint.
3. When this matter was last discussed, the CPRS put in a collective brief drawing attention to the fact that if energy intensive businesses based on electricity were to be kept in the UK there would have to be, in addition to any immediate scheme, prospects that long term electricity prices would be reasonably competitive at least with the average of those in other developed countries. For this to be achieved action would be needed now to bring about substantially lower long term electricity costs. In practice this would mean action on the price of coal and on the rate of growth of nuclear power. In a separate minute to you dated 9 June I emphasised my belief that the consequences of not eventually catching up and having low cost electricity are potentially serious. This is still my view.



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4. Since June the CPRS has produced a report on the NCB/NUM problem and this is also due to be discussed later tomorrow. The analysis in the report is discouraging in that it reveals no means of at all quickly changing the balance of power currently in favour of the miners and it draws attention to the difficulties facing achievement of even present plans for nuclear power. Nevertheless, the importance of overcoming the coal problem, and in my view of working determinedly towards lower electricity costs, means that every possible step that might help should be taken. Immediately the key need is to find the right man as the next Chairman of the NCB and to give him every assistance in moving to a position where miners generally recognise that an efficient industry is in their long term interests (paragraph 47 of our coal report). At the same time the moves already made to sort out the difficulties delaying nuclear plans should be given maximum support so that if these plans begin to look like being achieved consideration can then be given to stepping them up.

5. I am sending a copy of this minute to Sir Robert Armstrong.

JR/