



SECRETARY OF STATE FOR ENERGY  
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Private Secretary to the  
Prime Minister  
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22 December 1981

*Dear Mike*

As requested in your letter of 17 December, I enclose a note on the Department of Energy's achievements in 1981 and outlook for 1982.

*Yours ever*

*David Lumley*

DAVID LUMLEY  
Private Secretary



PRIME MINISTER'S BRIEFING FOR INTERVIEWS  
DEPARTMENT OF ENERGY CONTRIBUTION

PROGRESS IN 1981

1 The Department took a number of steps towards increasing the private sector's role in energy supplies. The Oil and Gas (Enterprise) Bill was introduced to transfer the British National Oil Corporation's oil producing business to the private sector company, Britoil; and to enable disposal of BGC's oil assets, the removal of BGC's purchasing privileges and monopoly supply position, and to make provision for the use of BGC pipelines by other gas suppliers. The Bill also contains proposals to extend and clarify the offshore safety regime. In addition, the Government directed BGC to dispose of its stake in the Wytch Farm field.

2 On energy prices, the position of large industrial energy users relative to their Continental competitors improved greatly during the year. The November NEDC Report recognised that this was in part due to the energy price concessions worth some £120m to industry announced in the Budget.

3 With production at some 88 million tonnes, the UK achieved overall self-sufficiency in oil for the first time in 1981. Further exploration was encouraged by the issue of 48 offshore and 15 onshore production licences, together with 31 onshore exploration licences.

4 Following the Government's decision that private sector interests should collect associated gas from North Sea fields, one scheme to bring gas ashore from northern fields and to feed it into the existing FLAGS line has already been announced.

5 Increases in coal prices from 1 November 1981 were held to 7-8%.

6 After years of uncertainty, the electricity industry's nuclear power programme, which offers the main prospect for cheap and plentiful electricity in the future, is getting back on course.

7 New or increased grants are available for homes insulation schemes sponsored by voluntary organisations, particularly those using young unemployed labour, and for Energy Conservation Demonstration Projects. A new national energy conservation schools competition has been launched.



8 The Severn Barrage Committee reported in April; the Government is considering the comments received. Preliminary work is going ahead on the Orkney 3MW aero-generator announced in January, on the Southampton borehole, where there is promising progress, and on the Camborne hot dry rock project.

9 The UK has participated in international discussions within the IEA and EEC aimed at implementing economic energy pricing principles. In 1981 the UK achieved the objectives for 1990 set by Summit, IEA and EC nations to reduce oil use to 40% of energy consumption.

#### OUTLOOK FOR 1982

10 Subject to progress with the Oil and Gas (Enterprise) Bill, Britoil should be established as an operating concern by the autumn, with a flotation of shares - the biggest ever on the London Stock exchange - taking place as soon as market conditions allow. The Government's shares in Amersham International will be floated in the first half of 1982. BGC will be disposing of its stake in the Wytch Farm oil field.

11 The Government will continue to encourage oil exploration by issuing further onshore licences and considering the opportunities for further offshore licensing.

12 The contribution of nuclear power to our electricity needs will be increased as three new Advanced Gas-cooled Reactor stations come on stream. The electricity industry is preparing for a full public inquiry into the CEGB's application to build a Pressurised Water Reactor at Sizewell in Suffolk. An announcement about the timing of the inquiry will be made shortly.

13 Further engineering and environmental studies will be carried out into the Severn Barrage; site work will begin on the Orkney aero-generator, and more detailed geothermal tests will be carried out at Southampton and Camborne.

#### OUTSTANDING ISSUES

14 In line with its policy of promoting competition in energy supplies, the Government intends to introduce legislation to enable private sector interests to generate electricity as a main business, when a suitable opportunity arises.