



CCNO  
Prime Minister<sup>2</sup>

To note.

MS 23/3

PRIME MINISTER

SEVERN BARRAGE

Nigel Lawson sent me a copy of his minute to you of 16 March proposing to make a contribution to further studies by a consortium into a possible Severn Barrage.

2. I would not wish to quibble about how he disposes of £250,000 from within his agreed Departmental budget. But it is very important that we do not give any impression that we would support this consortium (or indeed any kind of barrage project) thereafter.

3. It is, I believe, common ground that a Severn Barrage should not be pursued as a public sector project. Excess capacity in the nationalised electricity industries means that they will not need the capacity it could provide for many years yet. It could thus only be justified as a more economic replacement for existing capacity; and the Severn Barrage Committee concluded that nuclear power was a better investment for that. The history of power station construction and of the Thames Barrage would not augur well for such a project keeping to time and cost under public sector management.

4. These considerations need not, of course, preclude a private sector body from taking up the project, if they think it viable. Unfortunately the Severn Tidal Power Group's proposals are not encouraging. To secure an acceptable return they appear to envisage a specially favourable taxation regime and Government funding for the initial development phase, for associated infrastructure costs, and for compensation to those adversely affected. Nigel very properly proposes to give no commitments of any kind for further assistance. If we give any hint that Government money might be available, the pressures will always be upon us in future.

5. If the STPG are simply looking for an earnest of the Government's goodwill for the project, I think we need do no more than point to the Energy Bill currently proceeding through the House. That will give the private generator of electricity the most advantageous framework any entrepreneur could wish for. They will have:-

- i) a guaranteed market for their product (since the Electricity Boards will be required by statute to buy their electricity);
- ii) a readily available national distribution network (through the right to use the grid);
- iii) a guaranteed fair price (with right of appeal to the Secretary of State).

6. I understand that the STPG are not the only consortium in the field. We may thus be taking more upon ourselves than we need to suggest that refusal of funds will "kill the project".

7. Copies of this letter go to the Secretary of State for Energy, the Minister of Agriculture, the Secretaries of State for Wales, Industry, Employment, Trade, Transport and Environment, the Lord President of the Council, Sir Robert Armstrong and Mr Sparrow.

L.B

LEON BRITTAN  
23 MARCH 1983

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