

COAL

You might find the following table useful as further background for the Prime Minister's meeting with Peter Walker this afternoon:

UK COAL DEMAND (m tonnes)		
	1983	1988
Power stations	81.565	65-70
Industry (including steel)	19.755	23.0
House coal and anthracite	7.872	7.0
Collieries and others*	2.283	2.0
Exports	6.561	4.6
Total demand	118.036	101.6/106.6
Less volume supplied by opencast	14.706	15
Less imports into UK	4.456	5-10
Total demand for deep-mined	98.874	76/81.6

* Miners' concessionary coal.
Source: 1983 figures Energy Trends, 1988 figures International Coal Report

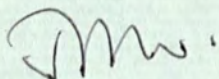
The source is the International Coal Report, an authoritative Financial Times publication.

The latest published forecast I have from the NCB is a paper presented at a seminar around the middle of 1985 by Michael Parker, the NCB's Head of Corporate Planning. For 1990, the NCB project coal demand from power stations in the range 73-82 mt pa (cf 65-70 in the table above). They put UK internal demand by 1990 in the range 98-113 mt pa (cf the FT's forecast of 97-102 mt pa for 1988).

I would draw your attention to the appreciable drop of coal demand for fuelling power stations - 82 mt pa in 1983 to 65-70 mt pa in 1988. This is due to the commissioning of 5 new AGRs and the Cross Channel Link with France. The CEGB are bound to put these new sources high up their merit order list, irrespective of the future price of coal; having made

the initial capital investment, the marginal cost is very low. The only possible comfort for the NCB is some indications that the underlying growth of electricity demand may now be higher than previously estimated.

I should perhaps add that my sources in the CEGB express surprise at the continued reluctance of the NCB to discuss future coal demand for electricity generation.



JOHN WYBREW

Further pit closures forecast

BY JOHN LLOYD, INDUSTRIAL EDITOR

A REPORT on the National Coal Board's market prospects shows that the board may have to cut up to 30 per cent of its current capacity over the next two to three years.

The forecast, in the forthcoming issue of the FT's International Coal Report, says the NCB may have to close some 56 pits by March 1987, on top of the 32 closed or marked for closure since January 1984, if it is to fulfill its government-imposed target of breaking even in two years' time.

The forecast is published as the board and the three mining unions gather in London today for a meeting of the Coal Industry National Consultative Council, at which the new Plan for Coal is expected to be unveiled.

Mr Ian MacGregor, NCB chairman, has already indicated that the plan will not contain any forecasts of demand or of production capacity. He has also said, however, that a capacity of 90m tonnes, which he hoped to preserve, might be above available demand.

The 32 mines closed or about to close represent a capacity cut of 11.1m tonnes, while a further 1m tonnes has been lost from face damage during the miners' strike. The ICR says: "If the board is to meet its target, a further 19.3m tonnes will have to be trimmed before April 1987, when government funding

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of the board ends.

It goes on: "Despite all the suffering of the last 12 months, little the board has done has changed its performance; by the end of August, an output rate of 2.69 tonnes a manshift was achieved — streets away from the targeted 4 tonnes a manshift."

The report gives a range of demand of between 76m tonnes and 81.6m tonnes for deep-mined output by 1988, compared with a market of 98.9m tonnes in 1983.

It says that the coming into operation of five advanced gas cooled reactor stations, coupled with the laying of a 2000MW capacity electricity link to France, will lose the board sales of about 15m tonnes to the electricity market.

Steel and domestic consumers have both turned to imports for a larger proportion of their demand since the strike.

Exports, it is thought, will continue to be depressed. Only in industrial markets is any rise foreseen—an increase of around 5m tonnes within the next few years.

Over the next two years, demand will be relatively high because of the need of the Central Electricity Generating Board to rebuild coal stocks, which could go as low as 6m tonnes this winter.

However, this 10m tonnes of extra demand a year will come to an end in 1987, at the same time as the extra nuclear and French capacity becomes available and as government backing is ended.

● The proposed breakaway from the National Union of Mineworkers of the 3,000 South Derbyshire miners was backed yesterday by 50 branch delegates at a special meeting.

Burning issues for NCB,
Page 12

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