



OIU  
AJS ✓ A.F.C. 2/3. *cc HSO*  
to note  
AF 913 h.a.

FCS/84/76

MINISTER OF STATE FOR ENERGY

Refund Regulations: Energy Items

1. Thank you for your <sup>attached</sup> letter of today's date. I am most grateful for the position you have taken. I also entirely agree with you that we should do all we can to secure agreement on coal social measures.

2. I have looked carefully at your suggestion that we should not lift our reserve on coking coal until the Foreign Affairs Council, and I have consulted our Permanent Representative in Brussels. There is, however, no energy item on the Foreign Affairs Council agenda, and I could therefore only raise coal social measures under Any Other Business, which would clearly be quite unsatisfactory from our point of view.

3. The one forum where it will be open to us to raise coal social measures will be in the Energy Working Group when it meets tomorrow, 9 March. In the light of your letter, I have instructed our representative on the Working Group to raise coal social measures, and to press very hard for agreement to this part of the energy package and for suitable assurances that work on the rest of the solid fuels package will proceed. Only if it is clear that this approach cannot succeed, and that to persist in it would jeopardise our refunds, will we lift our reserve on coking coal.

4. I am



4. I am copying this minute to the Prime Minister, the Chancellor of the Exchequer, the Secretary of State for Trade and Industry and to Sir Robert Armstrong.

A handwritten signature in black ink, appearing to be 'G. Howe', written in a cursive style.

GEOFFREY HOWE

Foreign and Commonwealth Office  
8 March 1984



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AJC  
To note

NAM cc AJD  
AT 8/3

Copied to:



**Prime Minister**  
Chancellor of the Exchequer  
Secretary of State for Trade  
& Industry  
Sir Robert Armstrong

DEPARTMENT OF ENERGY  
THAMES HOUSE SOUTH  
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Direct Line 01-2113290  
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THE MINISTER OF STATE

The Rt Hon Sir Geoffrey Howe QC MP  
Foreign Secretary  
Foreign and Commonwealth Office  
Downing Street  
LONDON  
SW1A 2AL

*This reflects the  
discussion in Cabinet today.  
A.J.C. 8/3  
8 March 1984*

*Dear Geoffrey,*

COKING COAL

Following the discussion on this at Cabinet this morning, I am writing to confirm my understanding of the terms on which I have reluctantly agreed that we should drop our opposition to an extension of the coking coal scheme within the Community, except as part of an overall energy package.

Both Ian Stewart and Malcolm Rifkind have stressed in their letters to me of 7 and 8 March respectively that there is no alternative to our making this concession, because the linkage to payment of our 1983 Budget refunds by 31 March 1984 made by the Germans. However, you should be under no illusion that by making this concession now, our negotiating position on the solid fuels initiative is seriously undermined. By keeping the elements of an energy package together - as we have done for the last six months - there was a fair chance that we should have secured an acceptable outcome. We agreed at Cabinet this morning that we should do our utmost to salvage something out of the solid fuels package in return for making the concession on coking coal. The key item for us is the transfer of 60 mecu to facilitate more Community support for coal social measures. We should also get an assurance that work on the other elements of the solid fuels initiative that are of interest to us, will proceed. The chances of securing something worthwhile from this are now very low. But if we do not obtain a quid pro quo now, the prospects of our ever doing so are remote. I disagree strongly with Malcolm Rifkind's point that we shall be in a stronger position to press our case on the other energy items at a future Council, once the coking coal card can no longer be played.

Ultimately, it is for you to decide on the best tactics to secure the outcome we want. I understand that officials are meeting in Brussels tomorrow to discuss the energy items. In my view it will be difficult for officials alone to secure the outcome which we seek. There is much to be said from ensuring that there is full recognition at the political level of the flexibility we have shown in making the concession on coking coal and a willingness to match this. This points clearly to delaying the concession to the Foreign Affairs Council itself. But if this raises insuperable tactical difficulties, it is important that we should find the best alternative means of paving the way for agreement of coal social measures.

*Yours ever,  
Alic*

ALICK BUCHANAN-SMITH



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MAR 1984

