

“ COMMENT

Thatcher's energy plan was derailed – now we are paying a gigantic price

Short-termism prevailed in the push for nuclear power

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26 September 2022 • 6:00am



CREDIT: Anaïs De Busscher for The Telegraph

It was a favourite dictum of the late Ernest Marples, for whom I worked as a young man, that in politics the urgent always ousted the important. When Margaret Thatcher asked me to be Energy Secretary in her first Cabinet I was to learn the truth of this view soon and bitterly.

The priorities of that moment, June 1979, both the urgent and the important, seemed clear enough.

The first was to do everything possible to protect ourselves against the latest oil shock from OPEC, the second in a decade, which was in full spate as we took office, and to prevent the consequent inflation, already at an inherited 20pc or more, from spiralling still further to the point of total breakdown. This time it had been triggered by the Iranian revolution taking 2 million barrels a day of oil off the market – a small amount globally but enough to send the price rocketing.

The second was to prepare and stiffen ourselves against the looming onslaught by the militant and politicised coal miners' leaders. Arthur Scargill was rearing to have a go at a new Tory Government, with memories fresh in our minds of the three-day week and the damage inflicted on the country five years earlier.

The third, and most important for the future, was to move as swiftly as possible to replace and expand our ageing fleet of nuclear power stations (the UK having been the pioneer in this field with “atoms for peace”).

These aims were connected, complicated and with both short-term and longer term vital aspects needing to be balanced.

Reducing reliance

They had, at that early stage, the full support of Margaret Thatcher and most of the Cabinet. In my long and detailed conversations with her, many of them in her upstairs flat at Number 10, she made clear her view that the nuclear priority was part of moving away from the stranglehold of domestic coal over the nation’s electricity, as well as reducing reliance on oil and gas imports.

There was no mention at that time of nuclear’s low carbon benefit, although I have read since that she was personally well on top of the climate issue.

In changing the pattern of something as central as a nation’s energy supply structure one needs to think in decades rather than months or even years, and that is what we set about doing.

My first moves were therefore to start cranking up the whole nuclear sector, ready for a new phase of construction as rapidly as possible. At the same time I engaged directly with OPEC leaders, (to bring home to them the dangers for everybody of inducing a world recession by pushing prices higher), while on the home front we started immediately building up coal stocks in the power stations (and all other chemicals and supplies necessary) to be ready for what looked like imminent battles ahead.

The nuclear story is perhaps the most instructive and relevant for today’s energy imbroglio. Margaret said the dithering had to stop and a new programme of nuclear plant building had to begin forthwith. It sounded simple, just as today’s call for eight new reactors sounds, and just as the plan for six new reactors in David Cameron’s time sounded, and just as, going back further, plans aired under Tony Blair when his government changed their mind, after several years delay, about the importance of a strong nuclear power sector (in 2005). It is a saga of good intentions down the years, with none, so far, turning out as planned.

‘Anything seemed possible’

But in 1979 anything seemed possible. After all, the French had built no less than 58 new nuclear plants, of varying sizes, in the previous decade, so why shouldn’t we do something similar, if on a smaller scale?

My first task was to get the scientists and nuclear lobbies to agree on what to build. They had been quarrelling for years and had produced a British nuclear pattern of amazing variety, from the old Magnox stations to the much bigger AGRs (Advanced Gas-cooled Reactors) which were mostly working well but getting older. There was also an experimental fast-breeder reactor at Dounreay. For a new programme the French pattern of Westinghouse Pressurised Water Reactors (PWRs) looked a far better prospect.

Airey Neave lobbied strongly for an alternative system called SGHWR-(Steam Generated Heavy Water Reactor), which I think was backed by Shell. I admired him greatly and he was an old acquaintance since post-war days, but he was not to be

trifled with and gave me quite a hard time. Arnold Weinstock said his company was quite ready to go on building AGRs and ‘pouring concrete for England’ as he put it, but we should change to a new design.

Others favoured the Canadian Candu design. But eventually the majority were agreed on the PWR course and I announced to Parliament in October 1979 a brand new programme which would last a decade (at a rate of commissioning one new plant a year- although I suspected it would take much longer) and add about 15 GW to our nation’s electricity capacity out of some 45 GW then needed nationally.

Further re-assurance came from Walter Marshall, then the eminent director of the Atomic Energy Research Establishment, who told me that the sensitive nuclear waste issue could in fact be solved completely by burying vitrified material two miles down in rock formations that had not moved in eons, adding that if future generations wanted to dig up the glass and eat it, after say 300 years, then they had more problems than the danger of radioactivity. He also explained to me that fusion was like ‘putting the sun in a bottle’ and would work commercially one day, but not for many years to come.

I also sought advice from the French industry minister, Andre Giraud, a giant figure in the French nuclear industry.

Monsieur Giraud was friendly and interested but when asked how on earth France had pushed through all the planning and acceptance of 58 new nuclear stations so quickly, he shrugged his shoulders and said that in France these things were decided centrally and that anyway local people welcomed a nuclear station nearby and the very low electricity prices that went with it.



Despite a proposal to build a nuclear plant every year for a decade, only one was built – Sizewell B CREDIT: WPA Pool/Getty Images Europe

In the British case it took 16 years from my announcement in Parliament to see the first one, Sizewell B, actually operating. After that, nothing. The long term vision faded before a hundred more urgent short-term pressures. Wikipedia says that after my departure from Energy in the autumn of 1981 the whole commitment was “rowed back” and somehow lost support.

Oil and gas prices, having soared, came down sharply, as they always do, and the economics of building nuclear giants looked less and less attractive. Add to that, there were plans afoot for privatising the whole electricity industry, and more nuclear stations were seen as making the task of selling the system to the private sector far more difficult than it was already going to be.

Short-termism prevails

So, exit the Thatcher nuclear plan. Short-termism prevailed, as Marples had long ago predicted it would. If the full programme had been sustained most of the new plants would now be on stream and vulnerability to the present oil and gas shock would be very much less than it has grimly turned out to be today

Meanwhile, back in 1979, leaping oil prices, with knock-on effects on gas prices, were creating world panic and threatening recession. It should be explained that the gas situation in the UK was very different from the chaotic and frightening scene now confronting us, and a global market for gas, via pipeline or LNG “frozen” shipments, was very much less developed.

Sir Denis Rooke was the formidable chief who controlled the entire state-owned British Gas scene, from the bottom of the North Sea to every kitchen gas-ring or boiler in the land, some said in almost Soviet style. He was jealously against what he called his precious gas fuel being burned for electricity. In 1979 only 1pc of electricity came from gas, against 45pc today. He put what he called “my 14 million home customers” first.

Denis Rooke had brilliantly presided over the conversion of that number of gas cookers from old coal gas to natural North Sea gas without much fuss at all. Now he was worried that soaring crude oil prices were creating ‘a dash for gas’ and urged me, as the responsible minister, to allow a 10pc price increase to restore market balance.

This I did since it seemed sensible economics. My civil service advisers called “courageous” and sure enough it caused Parliamentary uproar and lost me plenty of popularity all round. Emergency debates were demanded.

Robust protection

With some North Sea gas fields already draining down in the early Eighties, and some demanding big price jumps in new contracts, such as the Norwegian Frigg Field, Rooke proposed, and I backed, a massive new gas gathering North Sea pipeline system which would have greatly prolonged natural gas supply from the UK Continental Shelf. But it was rejected by the Treasury and an obedient Cabinet majority. More short-termism. I offered my resignation at this point but was shuffled to another department!

All along, the oil and energy price crisis required both immediate action and strategic moves to build robust protection against future shocks. On the former I engaged from the start with Sheikh Ahmed Zaki Yamani and other OPEC leaders.

Yamani understood our message – that pushing prices too high too fast would cause world recession and we would all be losers – and was strongly committed to the concept of OPEC as a force for stability in world oil markets, as well as greatly increased dialogue between producer and consumer nations (we were both by then). Later I heard that back in Riyadh some of his Saudi government colleagues were not nearly so keen on this moderation, but for the moment his view prevailed.

On longer term aspects we were beginning to acquire a key advantage as a nation. Thanks to the steady build-up of North Sea oil and gas production we could speak as both a major oil consumer and a rising producer. For this change of fortunes direct credit was due to my Labour predecessor as Energy Secretary, Tony Benn.

Of course I had numerous differences on how to proceed in the North Sea, especially over the status of the British National Oil Corporation, which he had set up with its rather complicated Participation agreements between the private companies and the state entity, and its dangerously large oil trading role. But his vigour in getting North Sea hydrocarbons development under way cannot be questioned.

I had numerous further meetings with Yamani and his colleagues, both in London and in Saudi Arabia. Several of them were oddly in a church which had been converted into a restaurant off Belgrave Square called, then, The Belfry, which I think he part-owned. He and Sheikh Ali Khalifa al-Sabah pressed me to put to Mrs Thatcher the idea that the UK should join OPEC as a new oil producer. But I explained to them that she was not a supporter of oil or any other monopolies and never had been, and that it would be an utter waste of time.



The North Sea is an international province, meaning oil and gas is subject to global market prices CREDIT: Martin Langer / Alamy Stock Photo

There was one snag about North Sea oil from the UK continental shelf which seems not fully understood to this day. The North Sea is an international province. The output from it belongs to the licence-holders. It is not 'ours'. Its investors go there in the first place, from many countries and governments, on the understanding that this output can always be sold to the highest bidder. If it was otherwise, and the oil companies were threatened with a capped price and only one controlled market, the investment would not take place.

There seem to be ideas around that oil and gas from fracking and more from the North Sea would help our present plight. They would certainly be available, but only at the current global market price.

Generally, we were determined to keep clear of rationing of fuel – a path which my US counterpart, Jim Schlesinger, had been pushed into following – America being at that time still a huge importer of oil. We reckoned that direct interference with prices, even at these uncomfortable heights, would make matters worse, as it did in the US, and delay a return to more normal ranges.

Balanced diversity

Some lessons from long ago: The key to a reliable, affordable, clean national energy system, secure in all eventualities, is, and has been all along, balanced diversity and deep resilience along with adequate reserves and storage. Generating 45pc of electricity from gas is not diversity. Closing down adequate storage, whether of gas or hydrogen or any other energy vector, is not diversity, or common sense.

Over-reliance on wind power without adequate back-up when the wind drops is not diversity. Letting low-carbon nuclear run down to few gigawatts is not diversity, nor is putting faith in over-sized, outdated nuclear designs.

Finally, disorderly energy transition, closing down fossil fuels production faster than demand is falling, is neither diversity nor wise management and balance. Nor is fooling ourselves that our own net zero target will halt the rise of global emissions, and protect us uniquely from climate violence.

Much more violent weather is coming and will require huge adaptation. That has not been started either.

In the closing age of coal in the latter part of the last century many lessons were ignored. Coal which had seemed to make us self-sufficient ended up bringing the nation to its knees, illustrating the folly of narrow self-sufficiency as a strategy.

In the ages which followed of oil and gas they were forgotten again, while North Sea plenty, for a time minimising import needs, lulled us into false security. Wars occurred, as in Ukraine now, and in the Middle East earlier on, of the kind which military pundits did not expect to occur, and wrong decisions were taken.

Now we are paying the price and it is gigantic, far exceeding any short-term economies in the past. Other “long terms” lie ahead, full of uncertainties, for which utterly resilient plans, national and international, must now be laid, with a lot more wisdom and foresight than in the past, even while we struggle with the appalling outcomes of yesterday’s failures and errors.

Let’s hope democracy, and the leaders it gives us, are up to the task.

Lord Howell of Guildford was Secretary of State for Energy between May 1979 and September 1981.
