CABINET

ENERGY SAVING

Memorandum by the Secretary of State for Energy

1. I presented an interim package of possible non-budgetary energy savings to the Economic Strategy Committee on 4 November and the subject was further discussed at Chequers on 17 November. In consequence I now attach a draft statement which I would propose to make to the House.

2. The package embodied in the draft statement represents, I believe, about the minimum that would be likely to be acceptable to opinion at home and abroad as a serious response to the situation in which we now find ourselves. Taken together with the Budget measures and the savings that have already been achieved it can be presented as a significant step towards the international goal of a reduction of oil imports by the industrialised countries in 1975 and subsequently.

3. The statement does not attempt to quantify the total savings to be expected from the present package. Many of the effects are cumulative over time, and much depends on the response we secure in industry, commerce and the home. But I am satisfied that, provided we follow up in specific decisions the intention to eliminate subsidies in the nationalised energy industries, the total saving should exceed the target set by the Economic Strategy Committee of saving at least £100 million a year on the balance of payments. Looking forward, our aim over the next few years is to save 10 per cent of our total energy consumption. If this were achieved it would amount to £700 million on our oil import bill. The bulk of this will have to come - as the £150 million already saved has come - from the decisions of individual consumers helped and advised by the Government as necessary. This is a task in which my Advisory Council will have a significant part to play.

4. The main issues which were in dispute in our earlier discussion were:-
i. Lead content of petrol

I would have preferred a reversal of the step taken lowering the lead content in petrol from 1 November 1974. I believe that the medical evidence for reduction is not conclusive and in view of the cost to the balance of payments (£13 million a year), I would have preferred to return to our earlier standard, believing that this would demonstrate our resolve in the drive to conserve energy. However, I have accepted my colleagues' view that it might cause difficulty both politically and practically. We are in any event agreed that further reductions in lead content should be deferred pending a thorough review of the medical and economic implications involved in proceeding with the programme.

ii. Speed limits

The proposals in the statement - no change on motorways, 60 mph on dual carriageways, 50 mph on single carriageways - have been agreed with the Minister for Transport. These limits can be supported by road safety arguments and by consideration of public acceptability over an extended period. They will offer some saving in imports (possibly of the broad order to £10 million a year) but the main benefits to fuel saving will be psychological.

5. As compared with my earlier proposals I have toughened up the statement on two points:

   a. First, I now propose to use the powers contained in the Fuel and Electricity (Control) Act to impose maximum heating standards on all buildings other than living accommodation. I would of course also provide blanket exemptions for the sick and disabled, for young children, the aged and for preserving materials and equipment.

   b. Second, I propose similarly to use statutory powers to prohibit floodlighting of buildings, statues, bridges, etc at all times and to restrict electricity for external advertising and external display lighting during daylight hours. Both restrictions would come into force in the New Year.

6. Neither move will make much difference to energy supplies - the former, even as a voluntary scheme, is largely self-enforcing and the latter represents a very minor use of electricity. Nevertheless, both moves reflect a public mood and will carry conviction.

7. At the Chequers meeting on Government strategy, I was asked to examine urgently the question of a two-tier price system for petrol with a low-priced 'ration' and a high price for further supplies. Work on this is in hand interdepartmentally but the issues are complex and it is in any case
clear that we could not introduce such a scheme, as a going concern, for some months. I will bring a paper to my colleagues as soon as possible but believe firmly that the present statement should not be delayed while we make up our minds on further steps. In the meantime I would propose to say, if asked, that the possibility of a scheme of this kind is under consideration. I could also, if my colleagues wished, refer specifically to the scheme in the statement as being a possibility under consideration.

8. I invite my colleagues:
   a. To agree to the proposed public stand on lead in petrol.
   b. To agree to the proposed new speed limits.
   c. To agree that statutory powers should be used to set maximum heating standards in industrial and commercial premises.
   d. To agree that conspicuous forms of public lighting should be restricted in the way proposed.
   e. To decide whether a reference to the possibility of a two-tier price system for petrol should be included in my statement.
   f. To endorse my statement generally and to approve its early delivery to the House.

EGV

Department of Energy

2 December 1974
ENERGY SAVING: DRAFT STATEMENT

With permission Mr Speaker I would like to make a statement on energy saving.

2 As the House knows our import bill for oil this year is likely to exceed £34 billion. By the end of the present decade we should no longer be net importers of energy. We are the only major industrial country in the Western World which has this prospect.

3 Despite this the need to reduce our import bill is acute.

4 Progress has of course already been made. It is estimated for example that voluntary conservation measures this year have already saved about 2% of our normal energy consumption - worth about £150 million at current import prices.

5 These savings are a good beginning. But we need to do much more in the years ahead.

6 My right Hon Friend, the Chancellor of the Exchequer, made it plain in his budget statement that the Government intends to ensure that energy prices are brought as quickly as possible to a level which reflects true costs. The best advice we have is that a move to such prices might save at least £50 million - and perhaps a good deal more - on our import bill in a full year.

7 To rely on the price mechanism alone however is not enough. The Government have therefore considered what further steps it can take to reinforce the pressures of price.

8 My Advisory Council of Energy Conservation has already produced a number of suggestions for the Government to consider and its work will grow and develop over the months and years ahead. The measures and proposals I announce today therefore must be regarded as an interim package.

9 The measures the Government has decided to adopt now are:-

First: To introduce a loan scheme which will provide a source of finance for energy saving investment in industry, to ensure that such investments are not held back by cash flow problems. Loans will be at favourable rates of interest. Any expenditure in this financial year will be covered by a late spring supplementary. I expect to make available £3m a year for this purpose. Full details of the scheme will be announced shortly.

Second: The Government will use its powers to ensure that the next round of oil price increases bears more heavily on motor spirit than on other oil products. This move will seek further to discourage imports of motor spirit and crude oil used to produce motor spirit, which currently cost us about £500m a year. Details will be announced when the Price Commission has finished
its work on the present round of company applications for price increases. The House will also wish to know that the Government are considering the possibility of introducing a two-tier price system for petrol with a basic ration available at one price and additional supplies available at much higher prices. I would welcome views on this proposition.

Third: The Government has reviewed the programme for reducing the lead content of petrol. The reduction which took effect on 1 November has added more than £10m a year to our import bill and further stages of the programme could be very much more expensive than this. We do not intend to go back on what has been done so far but have decided that further progress should be deferred until a thorough review of all the medical and economic implications of proceeding with the programme has been undertaken.

Fourth: About 3 million tons of coal equivalent a year is used in Government, civil and defence buildings. The Property Services Agency are planning to spend up to £5m a year over the next few years on improved control equipment, draught proofing and additional insulation. These and other measures aim to achieve eventually savings of around £10m a year or more than 20% of current expenditure in this area.

Fifth: Public authorities other than Government, for example, local authorities, use some 17 million tons of coal equivalent a year. And a further 20 million tons is estimated to be used in public sector housing. The Government are opening urgent discussions with local authorities and others concerned to see how far and in what ways savings can be achieved in this important area of our life.

Sixth: Speed limits: excessive speed wastes petrol, as well as costing lives. The Government have therefore decided to reduce the maximum speed limits on single carriageway roads to 50 mph and on dual carriageways other than motorways to 60 mph. Speed limits on motorways will remain unchanged. My right Hon Friend the Minister of Transport will make a further statement on this later today.

Seventh: Sir we will introduce compulsory limits on heating levels in buildings other than living accommodation and a limited range of further exemptions designed to protect the young, the old, the sick, the disabled and certain types of material and equipment. These standards will involve a maximum heating level of 63°C - 20°C. Government offices already work to a minimum standard of 65°C and my right Hon Friend the Secretary of State for the Environment and I will be considering with the interested parties, including the National Whitley Council Staff Side, how savings can be secured by closer adherence to this standard as well as by sustained savings efforts.

I have rejected imposing compulsory limits on private households but savings in the home are as valuable as those elsewhere. I appeal for the maximum voluntary savings.
Eighth: In all areas of our national life greater attention needs to be focussed on the careful use of energy. My Advisory Council has suggested that company annual reports should state the expenditure incurred on fuel and the steps taken to save energy. The possibility of including this provision in future legislation is being considered. Meanwhile Boards of Directors should voluntarily demonstrate their public spirit and their good stewardship by implementing this suggestion.

Ninth: As a corollary of eight, all Boards should make clear within their firms their commitment to energy saving and should make someone specifically responsible for achieving it.

Tenth: Both management and employee representatives engaged in joint consultation in industry and commerce should see that energy saving is made a regular subject for practical discussion leading to early and effective action.

I have written to the CBI asking them to draw the attention of their members to these last three points, and to give them their full support; and I have written similarly to the TUC on the important contribution which union representatives can make through joint consultations.

Eleventh: I have decided to ban all floodlighting of buildings, statues, etc at any time and to restrict the use of electricity for external display and advertising purposes during daylight hours. The necessary orders for this and the proposed heating standards will be laid shortly and will come into effect in the New Year.

Twelfth: Finally, to promote and reinforce action in all these areas, the Government will, over the months ahead, develop a publicity campaign to inform and advise industry and commerce, motorists and households, on how they can help themselves and the nation by using energy more carefully and efficiently. In addition, the heads of the nationalised fuel industries have told me that they will co-ordinate energy saving publicity.

Mr Speaker, it is not possible to estimate with any precision the energy savings which may emerge from this package, not least because many of the effects are cumulative over time. But there is no doubt that substantial savings are possible. Indeed, if we were to be able to save, within the next few years, say, 10% of our total energy consumption - an amount which currently costs about £700 million a year to import - we would have made a major contribution to our national wellbeing and national future.