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PM/79/69

PRIME MINISTER

BNOC: FUTURE STRATEGY AND DISPOSAL OF ASSETS

1. Since I shall be in Brussels on 24 July for the Foreign Affairs Council I shall not be able to attend E Committee that day. I am therefore writing to put on record my views on the proposals in David Howell's minute to you of 18 July, in the light of Geoffrey Howe's minute of 19 July and of the fact that E (DL) on 19 July apparently reached no decision on recommendations to E on these issues.

2. The control over a substantial amount of North Sea oil which we derive from BNOC's upstream assets is in my view more secure and less controversial internationally than our control over North Sea oil traded by the multinationals, including BP; and for that reason it is important for our future security of supply. I therefore agree with David Howell that the question of disposal of BNOC's upstream assets, whether by a partial sale or a total takeover of these by BP, must be looked at very carefully and should not be rushed. At the same time I agree with him that we ought to make a statement on future policy towards BNOC before the recess, particularly to enable work under 6th round licences to go ahead. I believe that David Howell's proposals offer a good basis for such a statement, while not prejudicing the question of how much of BNOC's upstream assets should eventually be disposed of, and to whom.

3. I am copying this minute to the other members of E and E (DL) and to Sir John Hunt.

Foreign and Commonwealth Office  
23 July 1979

C  
(CARRINGTON)

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