



bc Walters

10 DOWNING STREET

From the Private Secretary

1 March 1982

Dear Jill,

North Sea Fiscal Regime

The Prime Minister was grateful for the Chancellor's minute of 26 February on the North Sea fiscal regime.

The Prime Minister is concerned lest in the present state of the oil market the proposed new fiscal regime will be too onerous for the oil companies, and will inhibit desirable exploration and development. The Prime Minister would have preferred a package which imposed a much lower rate of tax on marginal fields. She fears that, given the prevailing high level of taxation on the North Sea, companies may be encouraged to boost their offtake in order to maintain profits; whilst she endorses the decision not to impose production cuts for the time being, she would wish to do nothing positively to encourage companies to speed up their production.

Notwithstanding these reservations, the Prime Minister is ready to accept the package which the Chancellor has agreed with the Secretary of State for Energy.

I am sending a copy of this letter to Julian West (Department of Energy).

Yours sincerely,

Michael Scholar

Miss Jill Rutter,
HM Treasury.