



Treasury Chambers, Parliament Street, SW1P 3AG
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PRIME MINISTER

BRITISH GAS DISPOSALS - WYTCH FARM

Keith Joseph reported to you on 26 June E(DL)'s conclusion that David Howell should pursue a BGC contribution to the 1980/81 asset disposal exercise. David's letter of 24 July reports BGC's outright opposition not only to the sale of BGC's share in the onshore oil field, Wytch Farm, but also to his preferred alternative of the sale of shares in a potential subsidiary holding BGC's oil fields. In any case, it was already pretty clear to E(DL) that only the Wytch Farm option was realistically likely to bring in proceeds this year, of around £100 million.

2. David Howell has now asked to take this question to E Committee, on the grounds that the forced sale of Wytch Farm raises "wide political issues and indeed the whole question of our future relationship with BGC". We are now to discuss it next week. You will see that I have today written to David in response to his letter of 26 July, so that our colleagues can be aware of my view of points made in his letter (now largely repeated in his paper E(80)81) and the overall state of our asset disposals programme. The purpose of this minute, which I am not copying to our colleagues, is to emphasise the importance which I place on achievement of the asset disposals target, and the fact that without Wytch Farm our chances of doing so are very badly damaged.

/The position on this



3. The position on this year's asset disposals programme is far from reassuring: on "fairly firm" candidates my latest estimate is that we are at present nearly £200 million short. The other possibilities currently under consideration are not big enough or certain enough to bridge the gap without Wytch Farm. And there are no apparent new alternatives for the programme.

4. It is hard to see that Wytch Farm is in any way central to BGC's activities. It is an oil field, onshore. The most likely purchaser is BP, the Corporation's partner in the field. It seems most unlikely that UK security of oil supply would be significantly affected by the disposal, in view of the geographical location of the field - its oil is currently dedicated to a UK refinery, and export seems unlikely to be economically attractive. Apart from BGC's objections, which we have always expected, I see no rationale for Wytch Farm staying in the public sector.

5. David Howell has over the past year been repeatedly pressed for progress on a contribution from Wytch Farm (or other BGC disposals) to our asset disposals programme. Having got it accepted that it need not be sold to bring proceeds for the 1979/80 programme, his aim now seems to be to talk it out until proceeds are impossible this year. Despite the doubts about timing expressed in his letter to Keith Joseph we have not in my opinion yet reached the stage where proceeds cannot come in this year. But if this prevarication goes on much longer we may do so.

/Our disposals target

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6. Our disposals target is not going to be easy to meet. Without Wytch Farm, the prospects are severely damaged. Achievement of the target is important not only for the direct PSBR benefits, it brings, but for confidence in our determination to pursue our strategy. I feel strongly that E should confirm E(DL)'s conclusion, and ask David Howell to stop fighting this result and work full out for the achievement of 1980-81 proceeds from a Wytch Farm sale.

A handwritten signature in dark ink, appearing to be "G.H." with a flourish.

G.H.

/ August 1980