

Prime Minister - To note

Then proposals were discussed in E(DL) today. They will come back to E next week. The Chancellor (Flag A)

Prime Minister

~~Are you contact with Mr. Howell's proposals at X & Y?~~

D. J. Clark 19/7

SECRET

has serious doubts.

PRIME MINISTER

TL 19/7

ENOC: FUTURE STRUCTURE AND DISPOSAL OF ASSETS

Following our discussion at E Committee yesterday, we are again going to return at E(DL) tomorrow to the difficult ENOC issue, and in particular to the two questions of disposal of assets to meet the Chancellor's target for realisations in 1979/80 and the future structure of ENOC itself. I shall of course be reporting to E(DL) my proposals for resolving these problems, having regard to yesterday's discussion, but I thought you should know how I believe we could proceed in a way which reconciles our various common- and absolutely vital-objectives.

X |

First I think that we can agree that whichever way we go a first step has to be to form an upstream subsidiary in which the assets of ENOC are vested. This is a vital preliminary step either to a total BP take-over or to any lesser strategy for keeping assets in British hands. Could I therefore suggest that we take this step now? It closes no options: indeed, it is an essential preliminary so that we can carry out quickly any decisions which we reach later about the best way to meet the Chancellor's target.

Second, as far as ENOC's structure is concerned there seems to be a general acceptance that

- a) at least for the time being the crude oil trading role should be retained, together with the participation options.
- b) ENOC's statutory duty to advise should be abolished (so that there will therefore be an immediate need to strengthen the Department's internal specialist advisory team instead).

(2)

S E C R E T

These are major steps and the quicker I can announce them the better the chances of avoiding serious dislocation in achieving our ultimate aims.

Third, the importance of confirming the first batch of 6th Round licences and pointing to the way to a seventh round, as soon as possible, has been recognised. Again the BP take-over possibility need not stop us doing this. I have spoken since yesterday to Sir David Steel and he agrees that rather than transfer all BNOC 6th round license interest to BP, which would be prolonged and tricky (even by the take-over route) we could deal with them case by case in a way which should satisfy the other licensees and does not delay our major purposes.

On this basis, therefore, it would be possible to proceed forthwith to a statement. This course would then enable us

- (i) to announce the outcome of the BNOC review and the directions we want to go;
- (ii) to let all the licence arrangements go forward;
- (iii) to keep the way fully open for detailed discussions as to how much we sell off;
- (iv) to give BP full time to prepare a properly organised take-over without an intervening hiatus; if that were the decision;
- (v) to give ourselves full and adequate time finally to work out and overcome possible legal snags which at present seem to block a more precipitate announcement.

Y | Subject therefore to the discussion in E(DL) tomorrow I would like to recommend this approach to E Committee together with a draft statement to Parliament which I would aim to make on Thursday 26 July. If this is accepted then I would have to inform Lord Kearton and the members of the Corporation immediately in advance, of the content of the statement and an indication of the options we are considering

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S E C R E T

for the upstream operation, though of course not mentioning the BP proposition. It is probable that he at least will wish to resign - he has as you know stayed on at my request beyond the 30 June, the date he suggested for his departure. I am therefore considering possible candidates for the job of caretaker Chairman until such time as the future disposal strategy, and role for ENOC's upstream side, is settled.

I have it in mind at the same time to make a statement about my plans for a further round of licensing (7th round), about which I will be minuting you separately.

CONCLUSION

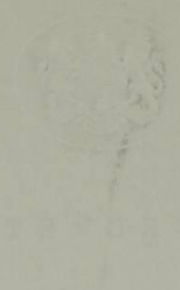
The approach which I suggest here makes it possible to clarify at least some of the important elements of North Sea oil policy and the ENOC problem without further damaging delay, while leaving open for further consideration the best method of meeting the Chancellor's objective of raising substantial sums by means of disposals and doing so with minimum disruption to our overall policy. I believe a statement on these lines will be seen as consistent with a proper and orderly conduct of our oil policy, while not prejudicing in any way future decisions on disposals, and will ensure that the Government's standing and credibility on these issues is not diminished in a way which they would ^{be} if we deferred any statement, or reached hasty decisions now.

I am copying to Members of E and E(DL), and to Sir John Hunt.

Secretary of State for Energy

/8 July 1979

J.H.
2



200 The National Institute of Health, through its contract with the University of Michigan, has been studying the use of the electron microscope in the study of the structure of the cell. It is hoped that this study will lead to a better understanding of the basic processes of life.

I have it in mind to send you a copy of the report on this study. It will be interesting to you.

COMMITTEE

The approach which I have taken in this report is based on the study of the structure of the cell. It is hoped that this study will lead to a better understanding of the basic processes of life.

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18 JUL 1979

I believe a statement of this kind will be of interest to you. It is hoped that this study will lead to a better understanding of the basic processes of life.

I am grateful to the members of the committee for their helpful suggestions.

Secretary of the Institute
National Institute of Health