

PRIME MINISTER

Energy: Your Meeting with Mr. Howell

You may wish to refresh your memory of your discussions with President Giscard about energy and I attach the relevant part of my record (which the Secretary of State of Energy will already have seen).

The main point is to decide how to take up President Giscard's suggestion of ... urgent bilateral consultations on energy matters in advance of the Strasbourg European Council. Lord Carrington recommends that we should react positively and quickly to this suggestion, either by Mr. Howell getting in touch direct with the French Minister of Industry (who is responsible for Energy), M. Giraud: or by senior officials having an urgent preliminary meeting to prepare the ground for a more substantial meeting between Ministers. You may wish to ask Mr. Howell for his own views on handling this.

You should also know that the Germans, when Lord Carrington mentioned to them M. Barre's separate suggestion for trilateral (UK/France/FRG) energy consultations, expressed the view that they did not favour this since it would create the impression of a European "directory" on energy but preferred to deal with the subject through normal Community channels.

This certainly should not, however, hold up our bilateral consultations with the French.

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① Meeting at official level

6 June 1979

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At 1215 the Prime Minister and President Giscard were joined by:

M. Raymond Barre
The Foreign and Commonwealth Secretary
Mr. G. G. Walden
M. Robin

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Energy and the Tokyo Summit

President Giscard summarised the subjects which he and the Prime Minister had already covered during their tete-a-tete discussion and said that the Prime Minister had suggested that, with Lord Carrington and M. Barre, they should discuss the forthcoming Economic Summit in Tokyo and the problem of energy, before moving on to wider international issues.

The Prime Minister said that energy was expected to be the main item on the agenda of the Tokyo Summit. The problem was how the leading energy users could persuade the leading energy producers not to raise their prices still further and thereby cause a world recession. Western objectives were thus quite clear but the methods by which they might be achieved were very unclear. Specific ideas were needed. The problem was common to many Western countries, although France had moved further along the road to a solution than any other country in Europe, through her nuclear programme. The UK, for her part, had found only a temporary solution in her North Sea oil. President Giscard asked how temporary a solution this was. The Prime Minister said that it would last for 15 to 20 years. President Giscard commented that this was a help. The Prime Minister went on to say that the alternatives facing some countries were either to go all out for nuclear power, or, if they were unwilling to do this, to accept a significant reduction in their standard of living.

The Prime Minister said that she had never attended an Economic Summit but she had studied their communique closely: they were always the same. Meanwhile, the world's economic problems continued;

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and so did the communiques. President Giscard agreed and said that, although discussions at Economic Summits had become academic, the first such meeting, at Rambouillet, had produced useful results in the form of a stabilisation of exchange rates. Unfortunately, however, participation in the Summits had then been enlarged: their communiques were now just words. President Giscard agreed with the Prime Minister that the next Economic Summit should concentrate on energy. He thought that it should, despite everything, be possible to achieve some useful results. He would like to suggest what these might be.

Firstly, President Giscard said, the Summit could demonstrate a real determination on the part of the major energy users to reduce their consumption. France, for her part, would lower temperatures in public buildings and impose a ceiling on the amount of oil consumed by power stations. These measures could be discussed at the European Council meeting in Strasbourg.

Secondly, it was a fact that the operation of the spot market in oil produced unacceptable results. The international oil companies should be asked to keep out of the spot market during, in the first instance, the month of June. Chancellor Schmidt, in a recent discussion with M. Barre, had agreed that this measure should be taken in order to produce a moderating effect on prices. It was a fact that every Gulf ruler had the latest spot market price on his desk first thing every morning.

Thirdly, agreement should be reached on an annual approach by the major users to the major producers in order to assess whether the savings planned by the users during the coming year, as well as the production levels planned by the producers, would be sufficient and in phase with each other.

Fourthly, the Summit participants should discuss a programme for exploiting alternative sources of energy. This was mainly a problem for the Europeans, since the Americans and Canadians were already making progress in this field. President Giscard added,

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in parentheses, that he had just received a report from M. Francois-Poncet, who was in Washington, to the effect that press reports about the U.S. Administration's decision to subsidise oil imports were too pessimistic: President Carter was in fact working on the introduction of quite drastic conservation measures, on a possible approach to the oil producers and on steps to stabilise the spot market in oil - precisely those measures which he was himself advocating. President Giscard said that he thought that the American approach seemed quite constructive.

Lord Carrington commented that it was essential to formulate, during the European Council meeting in Strasbourg, a European approach to the Tokyo Summit. The Prime Minister said that, ever since the Yom Kippur war, the West had managed to absorb substantial increases in the price of oil, to the extent that it would soon be economic to extract oil from the tar sands and shale - this would require a price of \$40 per barrel. A situation had been created a year ago in which the West had once again found itself with a surplus of oil but this situation would not be repeated because of events in Iran.

Describing the French nuclear power programme, President Giscard commented that an anti-nuclear demonstration in Lorraine on the previous day had attracted only 500 participants. France was currently building ten new nuclear plants: he thought that if the Government continued to give a strong, clear line, there would not be a great deal of public opposition. It would be helpful if both France and the UK were to take a strong and positive line on nuclear power in Strasbourg. The Federal German Government found itself in difficulties on nuclear power, largely because of the constitutional powers of the länder. Germany still had no reprocessing plant.

President Giscard went on to say that he fully shared the Prime Minister's view that the objective should be to arrive at practical conclusions, first in Strasbourg and subsequently in Tokyo. The Prime Minister said that the British Government was at present pursuing a policy of requiring power stations in the UK to substitute coal for oil: if continued, however, this policy could affect the UK's capacity to build up coal stocks, which

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would be needed against the possibility of further trouble from the miners during the coming winter. The Government might, therefore, have to reconsider.

President Giscard asked who in the British Government would be responsible for preparing the UK position on energy at the European Council in Strasbourg. The Prime Minister said that she thought she would. Lord Carrington asked whether President Giscard was suggesting that it would be useful to have bilateral consultations on energy in advance of the European Council and President Giscard confirmed that he was. It was agreed that bilateral consultations would be arranged, at the highest practicable level, as a matter of urgency.