



SECRETARY OF STATE FOR ENERGY
 THAMES HOUSE SOUTH
 MILLBANK LONDON SW1P 4QJ
 01 211 6402

*Mr Howell has
 a meeting
 tomorrow*

*R
 25/7
 R-47*

Tim Lankester Esq
 Private Secretary to the
 Prime Minister
 10 Downing Street

25 July 1979

Dear Tim,

PARLIAMENTARY STATEMENT ON BNOC

It was agreed at E Committee yesterday that my Secretary of State should recirculate the draft of the statement on BNOC which he proposes to make on Thursday, amended to reflect the decision not to press ahead at once with the announcement of a seventh round of licensing. This is now attached, and my Secretary of State will be grateful for comments. The Statement is in the timetable for 3.50 on Thursday and he would hold a press conference later that day.

I am copying this letter and enclosures to the Private Secretaries of members of E Committee and of the Chancellor of the Duchy of Lancaster, the Chief Whip and the Paymaster General; also to the Chief Press Officer at No 10 and to Martin Wile.

*Yours sincerely
 John Arnott*

John Arnott
 Private Secretary

PRIME MINISTER

*We have ended up with this
 and the dispersal statement tomorrow -
 a combination which will appeal to
 the Opposition.*

*Have you any comments on Mr
 Howell's draft?*

*N.B. Ken Benn
 thinks this is O.K.*

R.

*MJS
 25/7/79*



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Prime Minister PA 45 1

This seems alright:
it closely follows
E Committee's conclusions
yesterday and Ken
Bennet thinks it is OK.
Are you content?

25 July 1979

R

25/7

Dear Tim,

PARLIAMENTARY STATEMENT ON BNOG

It was agreed at E Committee yesterday that my Secretary of State should recirculate the draft of the statement on BNOG which he proposes to make on Thursday, amended to reflect the decision not to press ahead at once with the announcement of a seventh round of licensing. This is now attached, and my Secretary of State will be grateful for comments. The Statement is in the timetable for 3.50 on Thursday and he would hold a press conference later that day.

I am copying this letter and enclosures to the Private Secretaries of members of E Committee and of the Chancellor of the Duchy of Lancaster, the Chief Whip and the Paymaster General; also to the Chief Press Officer at No 10 and to Martin Wile.

Yours sincerely
John Arnott

John Arnott
Private Secretary

DRAFT STATEMENT ON OIL POLICY BY SECRETARY OF STATE FOR ENERGY

With permission, Mr Speaker, I will make a statement about the Government's oil policy and the British National Oil Corporation.

2. ~~Over the last few weeks~~ [The Government has ~~carefully~~] reviewed the full range of the BNOC's activities. It has also had much in mind the serious decline in offshore activity. (I have had several discussions with the Chairman and I have also met the BNOC Board. I pay tribute to the dedication of the Corporation's management and staff.)

3. ~~The Government has concluded that BNOC can best serve the nation's interests in a much more limited role than at present, and that the pattern of ownership of the Corporation's assets, at present exclusively in state hands, should be changed.~~

4. The House will be aware that the BNOC is engaged in two main activities. It is an oil trader [on a large scale] mainly by virtue of its right through participation agreements with other oil companies to purchase 51% of most of the oil produced on the UK Continental Shelf. And it is itself a substantial enterprise in the North Sea, engaged in exploration, development and production.

5. As far as the trading activity is concerned, the Government has decided that the Corporation's access to oil through the participation options ~~can still play a useful part in guaranteeing the UK's security of oil supply, and~~ should be retained. Although in conditions of major supply shortfall I can take powers under the Energy Act 1976 to control and direct oil movements, in conditions of ~~(a)~~ limited shortage, such as we are now experiencing, BNOC's direct access to 'participation' oil, together with royalty oil, strengthens our position. Of course, security of supply also depends

Simply this note is not intended to be a paper amendment.

Mr. Discussion with the Board

Ch + W

major shortage

and its quantity that depends on pricing - not security?

On economic pricing, and that is why we have removed the price controls which we inherited. [But in a changing and precarious world oil situation I believe that it is right for a Government body to be involved in the trading of oil.]

This has been said in more acceptable form previously - if this precedent was usually true it would not require a vote for.

6. As to BNOC's offshore assets and interests, the Government believes that these should be more widely owned. [I intend to give the House further details of my plans in this respect in due course.] We are ^{D.P.} ~~are~~ ⁱⁿ ~~considering~~ ^{Market.}

But you are committed to sell some fields

~~considering how this objective could be achieved through the disposal of assets from State hands or by the introduction of private capital into the operation.~~

~~London~~

7. Furthermore, the Government has decided on a number of steps in the area of BNOC's exploration, development and production activities. The Corporation has too many licence obligations and commitments, along with a number of privileges vis-a-vis other oil companies. These features are themselves a source of the instability and lack of confidence that have come to characterise the offshore oil exploration scene - which it is essential for us to change. The Government has decided, therefore, that BNOC's ^{preferred} ~~preferred~~ position in future licensing Rounds should be ended, and that its present over-extended exploration commitments should be reduced. The Government also intends to end BNOC's special access to Government finance through the National Oil Account. These changes follow the Chancellor's announcement that BNOC will be liable to PRT in common with other oil companies, and my announcement ending the previous policy of giving BNOC a first refusal whenever an interest was assigned between companies. I have also decided that the Corporation's statutory role as adviser to the Government should be removed, and that the Corporation should no longer ^{have} ~~exercise its right to~~ a seat on every committee operating the North

those committees operating the North Sea Oil fields where it has no ~~share~~ equity stake.

Sea fields. I shall be strengthening my Department's resources so as to ensure that the Government, in the exercise of its regulatory role, is fully able to protect vital national interests.

8. Some of the changes I have outlined will require legislation, which will be introduced later in the session.

9. The moves announced today will in themselves encourage companies to explore more widely and to invest more confidently in development. We must encourage more investment both in drilling on already licensed territory and in deeper waters on the UKCS. Our decision to examine with the industry the problems of the so-called marginal fields should also be of positive help.

10. In addition I am today confirming the first batch of awards of licences under the Sixth Round (and the announcement of further awards will follow shortly). I am also well advanced with ^{preparation} ~~plans~~ for a 7th Round of licensing and ~~I intend to announce details as quickly as possible.~~ later.

11. I believe that all this will make a major contribution to restoring a high level of exploration activity on the UKCS after the recent very serious slow-down.

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regulatory role, is able to monitor vital national interests.

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which will be introduced later in the session.

The Government is taking steps to ensure that the
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regulatory role is able to monitor vital national interests
Some of the changes I have outlined will require legislation
which will be introduced later in the session.

10. In addition to the measures outlined in the first section of
the Bill, the Government will also be introducing a number of
measures to ensure that the Government, in the interests of the
regulatory role, is able to monitor vital national interests.

I believe that all this will make a major contribution to
the Government's policy of maintaining a high level of competition activity in the U.K. market.

25 JUL 1975

