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PRIME MINISTER

h.s.
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INTERNATIONAL ENERGY TARGETS

I have seen a copy of David Howell's minute to you of 14th April in which he seeks approval for our approach to the forthcoming IEA discussions on international energy targets.

2. I am generally content with his proposals, but you ought to be aware that we believe that the Department of Energy's view about the medium term (1985) prospects for the world oil market is on the optimistic side. The Department's forecast assumes availability of OPEC oil in 1985 of 32 mmbd (compared with 31 mmbd last year and a current figure of 29 mmbd or even less). Forecasts for OPEC production for 1985 are enormously speculative, but Treasury forecasts would put the central figure for production at some 30 mmbd giving a world demand/supply position ranging from a deficit of 1m to a surplus of 1 mmbd compared to the Department's forecast of a surplus ranging between 1-3 mmbd. I do not suggest that we should therefore argue for tougher targets; this could concentrate attention on the North Sea and increase pressure to raise production there to help others. But the supply picture sketched out in the note attached to David Howell's minute is perhaps rather more worrying in the medium term than is indicated there.

3. I am content that the suggested targets for the UK for 1981 and 1985 would not constrain the UK economy in ways contrary to Government policy or restrict our freedom of

/manoeuvre



manoeuvre in the budgetary, fiscal and monetary fields. I agree with David that the uncertainties for a period as far ahead as 1990 argue against adopting precise targets but trying to concentrate discussions on the long term need to restructure the world energy economy for the 1990s.

4. I am sending a copy of this minute to Peter Carrington, David Howell and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be "G.H.", written in a cursive style.

(G.H.)

22 April, 1980



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