



*From the Secretary of State*

Michael Alexander Esq  
Private Secretary to the Prime Minister  
10 Downing Street  
London, SW1

12 September 1980

Dear Michael

#### PRIME MINISTER'S VISIT TO GREECE

In an effort to give the Prime Minister's discussions with the Greek Government on 22 September some concrete achievement, and to use the occasion to persuade the Greek system to move more quickly, the various United Kingdom interests have been making every effort to tie up the arrangements for the Greek Government to announce its intention of ordering a coal-fired power station, undertake arrangements through NCB for the supply of coal, and to take delivery of first supplies of North Sea oil (which we should in any event have had to consider once Greece joined the EC).

This is a complex package, but basically what the Greeks now have is a very competitive price for a new 700 MW power station; a unique offer to arrange coal supplies whereby they will be guaranteed, if they wish, over 25 years that there will be no circumstance where the station will lack coal, coupled with other arrangements for supply which are as far as the market can go; and a readiness to supply some consignments this year and next of North Sea oil. The Greeks have an internal political problem in that they have to present special circumstances to justify a negotiated contract for a power station, which differs from their normal practice of open-market tender.

The difference between the sides in practical terms is very slight, but the Greeks are pressing for further concessions. For example, on the power station, the price difference has been narrowed to  $3\frac{1}{2}\%$ , which is strongly disputed by our contractors on the basis of faulty comparisons with other suppliers, and that the Greeks are making no allowance for the greater efficiency of the station; on coal, the suppliers have made heroic efforts to meet the Greek demand for some coal on prices to be negotiated now but for delivery in 1984, and possibly something further might be done; on oil, the Greeks are pleased with the arrangements, but we have stressed that they are conditional on the power station negotiations being completed.



*From the Secretary of State*

At a meeting of senior economic Ministers yesterday, apparently, the voting was three in favour, with four not prepared to support the proposal, but equally not wishing to oppose. In these circumstances, a final nudge of political pressure could be decisive in tipping the balance, so that the Greeks will be prepared to have the Heads of Agreement signed during the Prime Minister's visit.

The Post advise that it would be very useful to have a message from the Prime Minister to hand, for use at their discretion, when our Ambassador returns there from leave tomorrow. My Secretary of State considers that we should not miss any opportunity to bring this important deal to a conclusion, and would therefore recommend that such a message be sent.

--- A draft text, agreed with the FCO, is attached. If the Prime Minister is prepared to follow this course, we would propose sending the text in advance by telegram.

I am copying this letter to Ian Ellison (Industry) and Roderic Lyne (FCO).

*Yours sincerely,*

*Stuart Hampson*

S HAMPSON  
Private Secretary



DRAFT LETTER FROM THE PRIME MINISTER TO THE PRIME MINISTER OF GREECE

I hope <sup>that</sup> our meeting later this month <sup>will make</sup> ~~can make~~ a real advance in co-operation between our two countries, in the face of the economic situation confronting us, and on the eve of our partnership in the ~~EC~~ <sup>European Community</sup>. This was certainly our intention in signing the Memorandum of Understanding <sup>on industrial collaboration</sup> last November.

I understand that discussions between our authorities and industrial interests on the power station, coal supply, and some deliveries of North Sea oil have in practical terms only a few narrow points to be cleared. As it stands, the whole package will be a unique, competitive and very attractive arrangement to broaden the range of your energy supply. <sup>I can assure that it will continue to enjoy</sup> with the continuing support of my Government. ~~with the continuing support of my Government.~~

I am very aware of the efforts made so far by all concerned. But I trust that you will feel able to agree that we should call upon our experts to make every effort to achieve a balanced outcome in time for announcement in the course of our talks.



12 SEP 1980