

Ref. A0240

MR. ALEXANDER

Prime Minister

Agree x ?

Print - 14/9

North Sea Interest Relief Grant Scheme

A — Mr. Lever replied on 13th September on behalf of the Foreign and
B — Commonwealth Secretary to the letter you sent Mr. Walden on 10th September seeking information on three points raised by the Prime Minister concerning the Interest Relief Grant Scheme.

This was a try-on with the Commission which did not come off. It is very unfortunate that the Government will have to announce a change of course, although the present public interest in the PAC report on the Scheme will no doubt help. But I agree with the Foreign and Commonwealth Secretary that it is probably not worth while for ^{the Prime Minister} you to expend credit in trying to shift Mr. Roy Jenkins. The Commission are going to take us to the European Court if we do not comply with their ruling. The only question is whether we should concede now or let them take a formal decision in that sense. The view of OD(E) was that the latter would only sour our relations with the Commission. If this decision is to stand we shall need to notify the Commission at the beginning of next week i.e. before the meeting of the Commission on 19th September of the Government's intention to announce the immediate ending of the Scheme.

X | The Prime Minister might therefore reluctantly accept that the Scheme should come to an end and ask to see the terms of an announcement by the Secretary of State for Energy.

As we are in breach of British Law all the P.C. scheme must be terminated

~~NO. - Let the Commission take the lead.~~ JOHN HUNT

14th September, 1979

- But in future where matters of law are concerned we must have advice on the proposed course of action for the P.C. before we submit decision D.T.