



Foreign and Commonwealth Office
London SW1

24 January 1980

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BNOC/BP OIL SUPPLY

Thank you for your letter of 23 January. I do not have any further reservations to make.

I am glad that you are able to confirm that it is BP's firm intention to organise their oil flows so that their own exports of UKCS crude to other Community countries would remain unaffected in the circumstances envisaged. I take the point that to write this into a contract between BP and BNOC would have the disadvantage of making it unlike a normal commercial arrangement in that respect. Is there some other way in which we could get BP's intentions on to the private record? A letter from BP to your Department would be one possibility, although you may feel that this brings HMG too much into the picture. An alternative might be a letter from BNOC to BP, noting that BP had stated their intentions in the course of the negotiations. The more the record can show that the far-reaching implications of the clawback provisions in the Principles are now subject to this important proviso, the better it will be. I made this point in my letter of 16 January, and I do not regard it as shackling the negotiations with BP.

/I am

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I am confirmed in my view that we must do everything possible to reduce the target presented to possible challenge by the incautious approach to their forthcoming discussions with the Commission taken by the BP team at a meeting with Department of Energy and FCO officials in your Department on 22 January. I recognise that only aspects of the ring fence arrangements were involved, and I hope that the warnings which your people and mine were able to give will have served their purpose; but, as you know, the danger of a leak has been one of my worries all along. The article in the Daily Telegraph of 23 January is a reminder of the interest which the agreement is likely to arouse.

Perhaps we could have a word, as you suggest, in the margins of OD(E) this afternoon. I do not foresee any further difficulty at this stage; and the weighing of the pros and cons of exercising clawback in a specific case can be left to the consultations which we have already agreed will be necessary.

I am copying this letter to recipients of previous correspondence.

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