

CONFIDENTIAL



PRIME MINISTER

*Agree - as no objection
by the Chancellor.
not.*

Prime Minister

1

*E Committee agreed that
Mr Howell should announce
this at the Party Conference.
Mr Howell is willing to
accept the Chancellor's
comments (Flag A).*

Content?

BNOC ANNOUNCEMENT

*Th
6/10*

At E Committee on 10 September it was agreed that I should aim to announce our proposals for BNOC at the Party Conference. I now attach the draft of a statement which, subject to your views, I would propose to include in my reply to the debate on Energy on Thursday morning.

The draft does not refer to the question discussed at E Committee of whether the revenue bonds we are to issue might be traded on the Stock Exchange. Officials and their Merchant Bank advisers have been studying this matter urgently. However I am advised that the conclusions they have been able to reach in the time available are insufficiently conclusive to justify public reference to marketability at this stage.

I am copying this letter to the Chancellor of the Exchequer and Sir Robert Armstrong.

*D.G.
~*

SECRETARY OF STATE FOR ENERGY

2 October 1980



BNOC: PROPOSED ANNOUNCEMENT

In my earlier public announcement about the future of BNOC I stated our intention to ensure that the British public were afforded the fullest possible opportunity to share the benefits of the nation's oil wealth. Today I am able to announce further details of our plans.

Our goal is to give the British people the opportunity for direct ownership of BNOC's oil producing business. Our aim, when the timing is right, whilst maintaining the arrangements we now have for maximising our security of supply, is to give the company roots in the private sector. Accordingly we propose to table a Bill in Parliament which will include powers to sell to the public equity shares in this business.

I have to tell you that this unravelling will be a difficult task. As the Conference knows we would never have created these labyrinthine arrangements that our predecessors left, and it is going to be a Promethean task to break our way out. Moreover, while sale of some of the equity will involve the investing public and the people through their pension and insurance funds, it will not necessarily touch the wider millions of families, who's oil this is, and who, we are determined, should also form part of the capital owning democracy. Ours, after all, is the party of genuine public ownership.

Therefore, we also plan to offer the public opportunity for a direct share in the benefits of the North Sea. We will do this through the creation of a revenue bond scheme linked to BNOC's commercial fortunes and performance. Members of the public who buy these bonds will be entitled to interest payments linked directly to the revenues from specified BNOC fields. The return to the holders will thus be dictated by the level of BNOC's oil production and by the price of oil. And savers will be able to buy these bonds in small denominations, and to encash them at any time.

This will be a first opportunity for the British public on a very wide scale to share in the risks and rewards of one of Britain's newest and most exciting enterprises; and the bonds which we propose to create in this way will provide a unique investment medium for the small saver.