



PRIME MINISTER

BNOC: TIMING OF CLYDE OILFIELD DEVELOPMENT

The Central Policy Review Staff have circulated comments on my paper on Clyde which we are due to discuss in E Committee tomorrow (E(80)149 and 142 respectively).

There is much in their paper with which I disagree. I should like to comment on some factual points before we meet.

The CPRS refer to estimated production from Clyde of 6 million tonnes. This needs to be clarified. Peak production from Clyde is not expected to go much beyond 2 million tonnes per annum. The CPRS figure refers to total production over three years. As they say, the quantity is small.

The CPRS refer to the possibility of a 5-year delay easing upward pressure on the exchange rate. It would be quite wrong to rely on this. Our decision will not affect oil flows for 5 years or more and it would be surprising if foreign exchange markets looked this far ahead. Even if they did, it is not clear what conclusion they would draw (press reports so far have emphasised PSBR considerations, not depletion policy). It is arguable that the effect might be the opposite of what the CPRS anticipate, for instance if the markets took confidence from the fact that we were extending our self-sufficiency.

The CPRS refer to a two-year delay as an extremely expensive form of job-creation. This is misleading. Though employment is important, the central point is the need to preserve a core capacity to build platforms. Other platform orders will come up in the next few years, but Clyde is the only one we can be confident will come to the UK. Morecambe Bay and Rough will not require major structures of the kind which platform yards are designed to produce.

Finally, the CPRS argue the merits of developments delays compared with production cutbacks. We have not yet decided our policy in this area but I would not accept that production cutbacks would necessarily have a more



capricious effect on oil companies. They are themselves far from unanimous in their own preferences as between delays and cutbacks. Development delays fall unevenly on only a few companies and can be damaging. The effect on ENOC of a five year delay on Clyde is a case in point.

I am copying this minute to other members of E Committee, and to Sir Robert Armstrong.

*JA*

Secretary of State for Energy  
15 December 1980