



PRIME MINISTER

THE GAS GATHERING PIPELINE AND DISPOSAL OF NATURAL GAS LIQUIDS

1 I have seen David Howell's minute to you of 9 December and I am writing to lend my support to the approach he proposes.

2 From the petrochemical industry point of view I am entirely content that we should use BNOG and BGC as the wholesaler of a significant proportion of the natural gas liquids (NGLs). Although there are nuances of opinion amongst the various petrochemical companies - depending largely on whether they are part of an oil company - they are willing to deal with a wholesaler. ICI in particular sees advantage in this and is especially keen that BGC should be associated with BNOG in the disposal arrangements. The company has had satisfactory dealings with BGC in the past and respects its expertise in the handling of gaseous materials.

3 I welcome David Howell's intention to construct a system which ensures that the petrochemical industry gets this valuable feedstock on the most advantageous terms. I recognise that the interests of the Revenue might be thought to lead us to seek as high a price as possible. But I think this would be short-sighted. Our industrial interest lies very much in underpinning the petrochemical industry with a secure and competitive feedstock in the 1980s and 1990s, and we must not overlook the

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scope for establishing a chain of downstream investments which will, along with the basic petrochemical industry, become an important incremental generator of tax revenue. It would, therefore, be premature in my view to set the maximisation of tax revenue from the basic raw material as an overriding criterion, particularly as revenue will not begin to accrue until 1984 at the earliest.

4 I welcome also the proposal to allow all potential suitors for the feedstock to bid for what they need. There is much dispute about the figures and it would be impossible - and invidious - for the Government to seek to allocate shares to particular companies. It is quite possible that the commercial negotiations will - together with the advice we give to the wholesalers - lead to a satisfactory outcome without further intervention from us.

5 I would have liked the statement to refer to our intention that the petrochemical industry should obtain the feedstock on the most advantageous terms and that British companies should get as many as possible of the orders for the goods and services associated with building and running the system. I recognise, however, the difficulties of balance in the statement. Provided we are agreed amongst ourselves about these points, I do not wish to press for changes to give them effect in the statement itself.

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6 I am sending copies of this minute to Members of E Committee, to George Younger, Norman St John Stevas, Angus Maude and Sir Robert Armstrong.

Catherine Bell
pp K J

(approved by the Secretary
of State and signed in his
absence)

15 December 1980

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