

Yes - I should be grateful if Robin would do a minute to be attached to the document. Would do as the Prime Minister

CONFIDENTIAL

Qa 05636

To: MR LANKESTER

From: J R IBBS

*to be attached
do as the
Prime Minister
I don't know
what he knows
the why?*

Prime Minister

This project is going to collapse unless we taken urgent action to find a way out of the impasse. He must somehow ensure an adequate return to the oil companies, and this must mean BGC paying a decent price for the gas. I strongly support

in fact 17 July 1981 it was my suggestion - the idea that Robin Ibb should find a way through - by talking to Energy, BGC and then, if necessary, the oil companies.

Gas Gathering Pipeline

1. I have read the recent correspondence on the Gas Gathering Pipeline and this is apparently now at an impasse.
2. In his letter of 13 July to the Secretary of State for Energy, the Chancellor proposes that the impasse might be broken if BGC can be prevailed upon to give the prospective participants some reasonably firm assurance on the price which they would be willing to pay for the gas. He further suggests that someone quite independent of all the interested parties could produce an assessment of the minimum conditions.
3. In his response of 14 July the Secretary of State for Energy rejects the proposal and is of the view that it would get nowhere and lead only to further delay and loss of credibility. He suggests that the only way forward is for the integrated pipeline to be financed initially by the Government; he believes that only a prompt and firm commitment by the Government to go ahead regardless will bring in the private companies. Because of the urgency he wants a meeting to discuss the matter with the Prime Minister.
4. It is difficult to see from the correspondence how a meeting could easily lead to a decision on this matter since there is such a clear difference of opinion between the Chancellor and the Secretary of State for Energy on what may still be possible in terms of persuading oil companies to participate in a joint public/private project.
5. Because of our very heavy current workload in the CPRS, I cannot offer to do a major study of this problem. However, if the Prime Minister thought it would be helpful we could, if asked, do a quick review to clarify in somewhat greater detail just why the Secretary of State believes that a joint venture is out of the question. We might then be able to make an assessment of what would be necessary to bring this about and what the chances of success

Flay A

Flay B

Agree?

R

17/7

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might be. But it is impossible to guarantee that this would end up in a substantial advance on the impasse in the recent correspondence.

6. If we were to carry out such a review it would be essential that we had a clear remit from the Prime Minister which was accepted by the Secretary of State for Energy.

7. I am sending a copy of this minute to Sir Robert Armstrong.

[David Wilson - Play C - has suggested that we let BGC carry out the project. But that is undesirable in itself, and the so-called Morgan-Gentle financing solution is a transparent device which the Chancellor is firmly against.]

D.
17/11

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