

~~E. A. Duguid~~
A. Waters.



MBPM -
PM has already
seen minutes
of the mtg.

PRIME MINISTER

DL

9/8

GAS GATHERING PIPELINE

I thought it would be helpful if the Chancellor and I met yesterday to discuss the report of Robin Ibbs submitted on 31 July to see if we could agree on the next steps without the need to trouble you at this stage. Hamish Gray and Alex Fletcher joined in our discussion.

We agreed that one further and last attempt should be made to enlist financial support from the oil companies. I must confess that I am not optimistic that this attempt will be successful but I accept we need to establish as precisely as we can the terms, including if necessary modification of the guidelines, on which a significant number of companies would be willing to participate at this stage. We should then be in a better position to assess the options open to us.

Robin Ibbs suggested in his report that in such an approach to the companies we should tell them that, if the pipeline failed to be launched as a private sector venture, it would be abandoned for the foreseeable future. I do not believe that this would have the desired effect on the companies and indeed would be politically wholly unacceptable. The Chancellor and I therefore agreed that this last attempt should be entirely without prejudice to our final decision on the project.

The Organising Group would not be the appropriate body to conduct these further discussions, given the unsuccessful efforts they have already made. We see merit in Robin Ibbs' suggestion of an independent "honest broker" and I will agree a suitable name with the Chancellor. Our broker will need to make it clear to the companies that this is indeed our last attempt and that, entirely



without commitment on HMG's part, it would be open to the companies to suggest any changes to our original guidelines, or conditions on gas prices, which would be essentially pre-conditions for their financial support.

Time is now very pressing since major expenditure commitments will have to be made in September if the project is to be kept on schedule. It is essential that we take a final decision in the first few days of September and your office has arranged a meeting for 1 September.

I will report the outcome of our initiative in time for this meeting, together with an account of the options open to us. One of these will be the Morgan Grenfell scheme. I have therefore asked the Chancellor to arrange for his officials to study its implications in detail.

I am copying this minute to the Chancellor, the Secretary of State for Scotland, Sir Robert Armstrong and Robin Ibbs.

pp Secretary of State for Energy
4 August 1981

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