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*as Ann Min*  
*Mr Hodgson*

CONFIDENTIAL

Prime Minister

*Ann Min* 10 August 1981

*MS*

*Good news: the Moss Morran cracker is going ahead.*

*12/11/81*

On 8 July George Younger's Private Secretary reported to yours on the stage reached in the discussions between Ministers and Esso Chemicals on the future of the Moss Morran cracker, a project which the Company, and its partner Shell, considered they might have to abandon in the light of their latest assessment of its viability.

Our letter of 8 July listed the areas in which Government assistance had been sought and the manner in which we had been able to give satisfactory assurances on two of the issues - local rating and BGC's locus in the ethane market. The outstanding issue, to which the Companies attached critical importance, was the basis of the valuation for taxation purposes of the ethane being bought by Esso Chemicals from its inter-affiliate, Esso Petroleum. The Companies stressed that such deals should be treated on a par with those at arm's length.

In an effort to reach a fair and satisfactory outcome on this issue Peter Rees and his officials have worked particularly hard over the past week on the basis of detailed information they sought from the Companies, with the satisfactory outcome that a suitable modus vivendi has been reached.

Esso Chemicals and Shell have now informed me that, along with the other assurances Ministers have given, they now feel sufficiently confident to proceed with the project. Recognising the economic and political significance of this project and what it represents in terms of utilisation of North Sea resources, this news will be warmly welcomed not only in the immediate area of Fife but throughout the country as a whole.

To have reached this conclusion has required substantial effort by all the Departments involved and I would like to express our gratitude for the help we have had from Peter Rees and also from Hamish Gray and Kenneth Baker.

*Alex Fletcher*

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ALEX FLETCHER  
Approved by the Minister  
and signed in his absence