



PRIME MINISTER

## GAS GATHERING PIPELINE

In Keith Joseph's absence abroad I am writing to let you have my views on David Howell's minute to you of 26 August. Unfortunately it will not be possible for a DOI Minister to attend your meeting on Tuesday.

There is in my view no doubt that it is in the interests of British industry that this project should go ahead. In the first place shortages of gas have proved a significant inhibition on the development of some energy intensive industries and this constraint could well emerge again once the current recession is past. The priority accorded to supplying domestic gas consumers means that any shortage of gas supplies is focused to a disproportionate extent on industrial users.

Secondly, the proposed gas gathering pipeline would provide a secure supply of ethane and other natural gas liquids which could serve as a petrochemical feedstock or could meet other industrial uses. To the extent that ethane is in some respects a superior feedstock than naphtha, petrochemical companies in Britain could secure an advantage over their Continental competitors. The poor prospects for petrochemicals in coming years and substantial surplus of capacity throughout Europe means that, even with these new materials, significant expansion can by no means be guaranteed. But without them serious contraction of UK petrochemicals seems virtually certain. I understand, for example, that BP Chemicals are seriously considering closing much of their petrochemical complex at Grangemouth if they cannot secure ethane from the gas gathering line.

Third, building the line could provide very substantial new work for supplier industries, notably the steel industry in supplying pipe, and the process plant industry. This does not by any means represent a crucial argument in itself for going ahead with the project. However it does, to my mind, underline the desirability of pressing ahead at the present time when these supply industries are desperately short of orders.

*Prime Minister  
Do I want to see the  
pipeline go ahead.*

*MA 28/1/11*

*ms*

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I am copying this minute to the Chancellor, the Secretaries of State for Foreign and Commonwealth Affairs, Scotland and Energy, Sir Robert Armstrong and Mr Ibbs.

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KENNETH BAKER

28 August 1981