

CONFIDENTIAL

cc HMT

HL



10 DOWNING STREET

From the Private Secretary

7 September 1983

Proposed sale by BP of 10% of the Forties Field

This morning at Chequers the Prime Minister held a discussion with your Secretary of State and the Chancellor of the Exchequer, the Chancellor of the Duchy of Lancaster and Sir Robert Armstrong about BP's proposal to sell by tender 10% of the Forties Field.

It was noted that the proposed sale would bring about a revenue loss of some £300 million, and that there had not been time to ascertain whether, on UKCS policy grounds the Secretary of State for Energy should refuse consent for the assignment of a production licence. He was urgently consulting the Attorney General about this. If the Chancellor of the Exchequer were to decide, on fiscal grounds, to take action against the proposed sale he would need to promise legislation retrospective to the date when BP announced their intention to sell. In order to avoid creating difficulties for the Government's forthcoming sale of BP shares, and also for the Wytch farm sale, the Government would have to be very specific about the form of the new tax provision.

Summing up the discussion, the Prime Minister said that it was agreed that the Government should seek to prevent the proposed sale. If on UKCS policy grounds the sale was undesirable, your Secretary of State should decline to consent to the assignment of a production licence. If, on the other hand, there were no good grounds for declining to consent to a licence, the Chancellor of the Exchequer should consider what fiscal action would be necessary to achieve the same result. Meanwhile your Secretary of State should send a message to the Chairman of BP as in the draft attachment to this letter.

I am sending a copy of this letter and enclosure to John Kerr (H.M. Treasury).

M. C. SCHOLAR

Miss Caroline Brooks,
Department of Energy.

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A handwritten signature in the bottom right corner of the page.

You have sought through my officials an indication from me that I will place no obstacles in the way of your proposed sale by tender of 10 per cent of the Forties Field.

I must make it clear to you that I can give no assurance that consent would be given for the assignment of a production licence in this case. I have not had sufficient time to study the proposal, on which I need further advice.

Were consent to be given, the wider implications of the transaction for North Sea oil and gas policy would need very careful consideration by the Government.

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