

OPS a MASTER

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No: T 122<sup>AA</sup>/84

SUBJECT FILED ON:

IRELAND: Supply of Natural Gas



10 July, 1984.

May 79  
Oifig an Taoisigh  
Office of the Taoiseach

The Rt. Hon. Mrs. Margaret Thatcher, M.P.,  
Prime Minister.

Dear Margaret,

I was concerned and indeed taken aback to hear from the Tanaiste that the Minister of State at the Northern Ireland Office Mr. Butler has indicated to him that the British side now want a radical change in the terms of the Memorandum of Understanding signed on behalf of both Governments in October 1983 providing for the supply of Kinsale Gas to Northern Ireland.

You will recall that the negotiation of this important project was heralded in our joint communique of 5 November, 1981 and that on 7 November, 1983, we jointly welcomed the satisfactory conclusion of negotiations.

The reasons given by Mr. Butler for this change of attitude include recent changes in the sterling/dollar exchange rate and in the price of heavy fuel oil, which under the agreement determine the price of gas. But the central factor is a downward revision in projected market size.

But the more pessimistic forecast now being put forward relates only to the year 1990 and beyond, and involves a level of demand which is two-thirds of the maximum figure stipulated in the agreement, while the agreement itself allows that the quantity of gas to be taken may be reduced to one-third of the maximum.

The agreement between our two Governments on this project was seen in our two countries as the most important economic initiative between North and South in Ireland ever undertaken. A withdrawal from its terms at the initiative of either side would, I feel sure, adversely affect the public perception of our relations and of our capacity to work together.

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Oifig an Taoisigh  
Office of the Taoiseach

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I feel that I have no option but to ask you whether your Government is prepared to proceed on the basis of the understanding agreed in October, 1983.

Best Wishes.

Yours,