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 Prime Minister

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Prime Minister

OIL EMERGENCIES

see PC 3 map

MS

In my memorandum, OD(83)17, of 25 November 1983 on oil supplies from the Gulf I invited OD colleagues to endorse the conclusions of a note by officials circulated therewith. One of the main conclusions was that, if international agreement could be secured, the UK's interest in an oil supply emergency would be better served by activating the International Energy Agency (IEA) emergency allocation scheme than by relying on securing agreement to alternative "sub-crisis" measures, and that action in a temporary supply interruption should focus on mobilisation of stocks rather than measures to restrain demand. A major element in our thinking was that the activation of an existing well-developed scheme was likely to provide a more effective response to the emergency than trying at the time to reach a fresh agreement on alternative measures.

Over the last four months there have been further discussions, under the auspices of the IEA, on the framework for handling a sub-crisis. As a result of this, agreement has been reached in the IEA on new arrangements to facilitate a response to such a crisis.

The main emphasis of the agreement is on co-ordinated stockdraw by leading IEA Members. The arrangements suit our concerns better than the sub-crisis measures previously agreed and should prove effective in achieving our objectives in a sub-crisis.

One aspect is of particular benefit. Earlier this year, after an internal review of its policies for an oil emergency, the US Administration announced that it would draw down its 400 million barrel Strategic Petroleum Reserve in substantial quantities at an early stage in a crisis. In an emergency this development will be of great help in calming the oil market and containing price rises, and thus in achieving the objectives we agreed last November. The US has however been looking to its allies





to take "mutually supportive action": without this assurance the US Congress would be unlikely to support arrangements which might give the impression that the US was bearing the whole burden of oil emergency preparedness for the free world. The US Department of Energy has accepted the new IEA agreement as constituting the necessary response by its allies. We are thereby getting what is in effect a free (for this country) insurance policy, and we should therefore be seen to be fully committed to the new agreement.

With the new arrangements now available, the arguments in favour of activating the IEA emergency allocation scheme are now less strong than they were. Though we may of course still wish to argue for early activation of the scheme in a full-scale emergency, in any emergency of the type currently foreseeable our response is likely to be to facilitate the early drawdown of stocks by the leading industrialised countries.

I am copying this minute to members of OD Committee and Robert Armstrong.

A handwritten signature in blue ink, appearing to read "G. H. Jones".

Secretary of State for Energy  
31 July 1984