

S E C R E T



NB PM

AD
15/3

A red scribble at the top right and a large red number '3' written vertically on the right side of the page.

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

14 March 1985

The Rt Hon Peter Walker MBE MP
Secretary of State for Energy
Department of Energy
Thames House South
Millbank
LONDON SW1

A handwritten signature in black ink, appearing to read 'Peter Walker'.

FSBR

Thank you for your letter of 13 March. We have to recognise that the table in the FSBR showing a fall in North Sea tax revenues will indicate to informed commentators that a fall in sterling oil prices has been assumed for the medium term. It is likely that this will come up at the Treasury Committee, where officials may be pressed on this.

But I understand your anxiety about being explicit in the FSBR itself, and as you suggested I have deleted the sentence which referred to an assumption of some fall in world oil prices.

The next paragraph reads:

"Government revenue from the North Sea is projected to fall in both real and nominal terms after 1985-86 as North Sea output and real oil prices both fall, but this is more than offset by rising revenues from the growing non-North Sea economy."

This does not necessarily imply any fall in actual oil prices, but only that they will not keep pace with prices generally. There was a reference in last year's FSBR which clearly implied a fall in real oil prices.

The substance of the other drafting points has been incorporated in the latest version of the FSBR. My officials have been in touch with yours over the estimated costs of the coal strike.

I am copying this to the Prime Minister and to Geoffrey Howe.

A handwritten signature in black ink, appearing to read 'Nigel Lawson'.

NIGEL LAWSON

Economic Policy PT13
Budget



115 MAR 1985