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cc BG

10 DOWNING STREET

From the Private Secretary

11 November 1985

The Prime Minister was grateful for your Secretary of State's minute of 5 November about his conversation with Sir Peter Emery.

DAVID NORGROVE

Geoff Dart, Esq.,
Department of Energy

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3

PRIME MINISTER

1. CDP

2. Prime Minister

I believe that Sir Peter was also going to see the Chancellor about this.
CDP

Agree to write?

BRN

7/11

Yes not

Sir Peter Emery asked to see me this morning for 15 minutes on what he described as an important matter.

He explained to me that the present Finance Minister of Nigeria was an old friend of his and that the Finance Minister had contacted him to explain that he had advised the government of the necessity of making appropriate arrangements with the IMF. These arrangements would require the reevaluation of the Nigerian currency.

Peter Emery stated that the Finance Minister had explained to him that the President of Nigeria was willing to accept the necessity for a reevaluation and working with the IMF but was unwilling to go for reevaluation before next Spring for political reasons. This, the Finance Minister explained, would create an impossible position for Nigeria in servicing its debts, particularly to France and Great Britain. The Nigerian government therefore wanted to service the debts by means of payment in oil. They believed that the French government would be very happy and willing to accept this as a means of repayment and it was important that Britain should accept the same method.

The Nigerian minister has requested that the oil payments should be at an agreed price. Peter Emery said he pointed out that that would be impossible and he felt the only way the British government could accept it would be at current spot prices, whatever they were. The Nigerian Finance Minister explained to Peter Emery that he was already in difficulty with OPEC on their quotas but hoped that OPEC would accept a position where in



excess of their quotas they paid a sum of oil at a fixed price to service their debts.

I informed Peter Emery that obviously any question of servicing debts was a matter for the Treasury and not for me. If there was a surplus of oil in the world I thought it was unlikely that Britain would have any desire to be the point where that surplus was dumped. But I advised him that it was his duty to contact the Treasury to discuss these matters with them.

If we did such a deal with Nigeria we would in fact together with the Saudia Arabian deal risk creating a situation where we had such a surplus of oil that the continuance of North Sea production at its present levels would be an absurdity. It is quite probable that OPEC would come to the conclusion that if they could talk us into a number of deals then we would be landed with the direct consequences of continuing North Sea production at a time of surplus. If we unloaded the oil on world markets we would also be seen as the country responsible for bringing down the oil price. From my departmental viewpoint therefore I am most anxious that no such arrangement is made with the Nigerians, and indeed if the deal resulted in a tumbling of the oil price it would not improve the Nigerian governments debt problem, but just the opposite.

I am copying this letter to Sir Geoffrey Howe, Leon Brittan and Nigel Lawson.

SECRETARY OF STATE FOR ENERGY
(Dictated by the Secretary of State
and signed in his absence)

5 November 1985

