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MINISTRY OF DEFENCE
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MO 26/17/1

2nd November 1982

Prime Minister
you expressed interest in this.

Dear John,

A. J. C. $\frac{2}{11}$

In your letter of 20th October you asked for a note about the state of Service oil stocks.

Oil supplies held by the MOD, have in fact increased and will continue to rise over the course of this year. The increases will build up stocks of aviation, ground and motor fuels depleted by earlier financial restraints to a level which will be at least sufficient to meet national and NATO requirements which call for a minimum of 30 days war reserve with a longer term objective of a 45 day reserve.

The Navy Department is increasing its main propulsion fuel purchases by an estimated additional £35M, and this will allow war reserves to be raised to a minimum of 45 days or significantly higher where storage facilities permit. Similarly the Army Department is enlarging fuel stocks by an additional £10M, either as forward purchases against next year's consumption or to bolster war reserves. £5M will be spent on raising war reserves which will be up to 45 days within the next few months. Air Force Department stocks now fill available tankage and provide a 30 days reserve. A works programme is in hand to increase storage capacity and should allow fuel holdings to rise to provide a 45 day reserve by the mid 1980s.

Finally the Prime Minister should be aware that although favourable market conditions have undoubtedly helped create opportunities for increasing stocks and these have been taken, our scope for further purchases has been limited to some extent because of the fact that the depressed state of the crude oil market has not as yet been fully reflected in the price of the refined products which are suitable for MOD use. However, the MOD will continue to watch the market closely.

Yours ever,

(J E RIDLEY)(MISS)

A J Coles Esq

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3 November 1982

The Prime Minister has noted the contents of your letter of 2 November about service oil stocks.

A. L. COLES

Miss Jane Ridley,
Ministry of Defence.

CONFIDENTIAL

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JL

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20 October 1982

When the Chief of the Defence Staff called on the Prime Minister yesterday, Mrs. Thatcher expressed the hope that we were taking advantage of the comparatively low price of oil to build up considerably the stocks available to the Armed Forces. I should be grateful to know what the position is.

AJC

Richard Mottram, Esq.,
Ministry of Defence.