

Energy

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The Rt Hon Lord Carrington PC KCMG MC
Secretary of State for Foreign and Commonwealth Affairs
Whitehall
LONDON SW1

19 March 1980

Dear Peter

EUROPEAN SUMMIT: SEVENTH LICENSING ROUND

You will have seen the letter of 17 March to my office from John Nott's office reporting the suggestion made to him by BP that a statement in European terms indicating a larger Seventh Licensing Round than the 70 blocks we have proposed, could be helpful in the context of the Budget negotiations.

You know that I am in any case in favour of a larger licensing Round and argued the case for this last Autumn. We are due to discuss the size of the Seventh Round and the question of introducing a cash element into it at a meeting of the E Committee scheduled for 2 April. Whilst it is not practicable to try to settle our policies on all the outstanding questions on the Seventh Round before the Committee discussion, we could, if colleagues agree, go some way to dealing with the size of the Round in order to assist our negotiations on the Budget.

It had been my intention to reiterate the arguments in favour of a larger Round at the E Committee meeting. However I myself believe that a substantive indication of our readiness to offer increased opportunities for exploration of the North Sea, which a larger round will afford, could be materially helpful in the forthcoming Budget negotiations. Accordingly if you and our colleagues agree I would be very ready to see a reference made in the context of the Budget negotiations to a larger Round than we have so far announced.

If this is agreed, my Department will consult with yours and others concerned about the form of words. It would be important to make quite clear that a larger Round would not carry with it any special preference for EEC companies. We would welcome their participation, but their applications would be assessed on the same basis as those of other companies.

When the size of the Seventh Round was last discussed by the colleagues, there was some concern that a Round larger than the 70 blocks then agreed might result in a smaller proportional British content because foreign companies, particularly American, so greatly outnumber British ones. I am satisfied that this would not now be the case. Over the past 6 months I and my Department have informally stressed to potential applicants the importance of securing a sizeable British content in the groups they are forming to apply for Seventh Round licences, and it is clear that this endeavour is meeting with considerable success. We will be able to give full weight to the British content in an enlarged Round so long as we

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continue to retain our discretion over awards.

I am copying this letter to the Prime Minister, Chancellor of the Exchequer, Secretary of State for Trade and Sir Robert Armstrong.

D A R Howell

Howell
Davis