

SECRETARY OF STATE
THAMES HOUSE
MILLENNIUM BUILDING

01 211 6402

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury
Parliament Street
SW1P 3HE

Dear Secretary

SEVENTH ROUND: ANNOUNCEMENT OF ARRANGEMENTS

It was agreed by colleagues at the 'E' Committee meeting on 3rd April that we should press ahead with preparations for the Seventh Round. I was invited to prepare an announcement on the size and method of licensing for the Round, and invited also to agree the timing of the announcement with yourself and the Foreign Secretary. I attach at Annex 'A' the text of the statement I propose to make. The announcement makes clear that there will be a limit of 90 blocks awarded, of which at least 20 blocks will be in the 'company nomination area' and thus attract a fixed initial payment of £4 million per block.

The statement will be accompanied by a more detailed note which will be lodged in the House Libraries, and will list the blocks available and the licensing criteria. The announcement will not constitute the formal invitation of applications (we need to make Amending Regulations and prepare a Gazette Notice before that can be done) but it will provide the information companies need to begin preparing their applications.

I attach at Annexes 'B' and 'C' respectively, a list and map showing the blocks on which applications will be invited. This comprises two parts; (i) the traditional arrangements, whereby I specify by number the blocks on which I will be inviting applications; and (ii) the "company nomination area", where I will not specify individual blocks by number, but companies will be able to apply for blocks of interest to them. My own list of 80 blocks on offer should provide a reasonable prospect of awarding 70 blocks under the traditional arrangements. In the unlikely event we were to receive applications for more than 70 blocks on this list, some would remain unlicensed; in the event fewer applications were received, it should be possible to make up the shortfall from applications for blocks in the "company nomination area". We should therefore be able to reach our overall target of the award of 90 blocks using both the traditional and the new arrangements.

The blocks offered for licensing include a core of territory which will enable companies to extend exploration from the existing discoveries in the northern North Sea and Moray Firth.

Ann Hirst

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To note that Mr Howell is planning to announce the seventh licensing round arrangements next week after the European Council. I think we can leave it to the Treasury and FCO to

22nd April 1980

Comment on the draft statement. It seems O.K. to me.

R. 24/4

mt

Blocks have also been included in territory which is as yet relatively untested and some of which is in deeper water than as yet explored on the UK Continental Shelf. We thus have a mixture of comparatively well known territory, and challenging new areas.

The blocks have been selected following consultation between my officials and those of other Departments with marine interests, and the licensing of a substantial number has been made possible by the mutual acceptance of restrictions on defence and oil activities, and by special arrangements near shipping lanes. We have also consulted organisations outside Government about the general areas we had under consideration for licensing (the individual blocks have not yet been disclosed outside Departments). These consultations have shown two areas where further licensing will not be unanimously welcomed ie the inner Moray Firth and the English Channel. The fishing industry and environmental interests have expressed concern about activities in the inner Moray Firth. Both would prefer to see no, or as little as possible licensing in the area. We hope to counter fishing industry opposition by drawing up a 'code of conduct' on fishing activities in the area. The Highlands Regional Council and the Highlands and Islands Development Board are, on the other hand, eager to see blocks awarded in the Firth to help stimulate employment and industrial activity onshore. They are particularly keen to see this because the Department held back from putting up blocks there in both the Fifth and Sixth Rounds. I have, therefore, decided to offer for licensing 7 blocks in the inner Moray Firth, though I would have seen advantage in a more substantial number, had the matter not been so sensitive. The concern about licensing in the English Channel arises mainly in regard to the possible pollution threat to tourist amenities and areas of environmental importance. Here again we are limiting the number of blocks on offer, so as to test the area while minimising inconvenience to other marine users.

In both the inner Moray Firth and the English Channel we will be ensuring that particular care is taken to avoid pollution, and to provide for environmental studies before development of any discoveries proceeds. I have included a passage in the statement to make clear our recognition of the need for care in carrying out licensing operations in these areas.

There is one further aspect of consultation. Because we do not know which blocks the companies will apply for in the 'company nomination area', my officials have not been able to consult their respective colleagues about licensing of particular blocks in that area. They will do so when we receive the applications, and will also advise the relevant defence, fishing and environmental organisations at that time of blocks for which applications have been received.

I propose to make the announcement as soon as possible after the meeting of the European Council: the date I have had in mind is 30 April.

May I assume that, if I have not heard to the contrary by 25 April colleagues are content with the proposal, including the text on the announcement and its timing.

I am sending copies of this letter to the Prime Minister, the Foreign and Commonwealth Secretary, Secretaries of State for Defence, Scotland and Wales to members of 'E' Committee and to Sir Robert Armstrong.

Howell

D A R HOWELL

David

CONFIDENTIAL

PROPOSED STATEMENT BY QUESTION AND WRITTEN ANSWER

QUESTION: TO ASK THE SECRETARY OF STATE FOR ENERGY WHETHER HE WILL MAKE A STATEMENT ON THE SEVENTH ROUND OF OFFSHORE LICENSING ?

Answer:

I have today lodged in the House Libraries copies of a note describing the method of licensing I have decided on for the Seventh Round of offshore petroleum production licensing, and including a list and map showing the blocks for which I shall in due course be inviting applications for licences. The principal features of the arrangements will be as follows:

- a. My aim is to license up to 90 blocks, of which at least 20 blocks will be in the area set aside for company nominations;
- b. I have listed 80 identified blocks for which I will be inviting applications. ^{a maximum of 70 of these identified blocks will be licensed.} In addition, companies will be able to apply for any block or blocks, of their own selection, in a defined area of the northern North Sea, as indicated in the detailed note of the arrangements for the Round. Licensees will be required to make an initial payment of £4 million on grant of licence for each block licensed to them in this defined area.
- c. Licences will be awarded by the normal discretionary method of allocation. In considering applications I shall take into account a range of factors including the applicant's technical competence and financial capability, where appropriate his previous licence performance and his current programme and plans for exploration on his present licences; and the applicant's performance and plans for contributing to the UK economy and in affording full and fair opportunity for UK industry to compete for orders of goods and services.

The Amending Regulations to govern the Round and to modify certain Model Clauses will be made and laid before the House as soon as possible. The Gazette Notices inviting applications and setting the closing date for receipt of applications will be published when the Regulations come into operation. The Notices will also set out the arrangements to give BNOG an option to take at market value up to 51% of the petroleum produced under the new licences.

The arrangements I have decided on have been determined following consultation with interested organisations. During the course of consultations, the view has been put to me that the licensing of some areas, particularly in the English Channel and parts of the Moray Firth, is of major interest to the fishing industry and to organisations concerned with environmental matters, and that particular care and consideration are needed in the conduct of exploration and development in these areas. I agree with this view. Oil and gas activities must be carried out in a manner which causes as little inconvenience as possible to other marine users, and which safeguards the environment. When operating in blocks close to the shore, licensees must take special care to avoid pollution. Licensees working in areas of especial interest to the fishing industry should liaise with the relevant fishing organisations about oil and gas operations, and carry out these operations so as to cause as little interference as practicable to fishing interests. On more general environmental matters, I will expect that - as part of the process for preparing a development plan for a discovery near to shore - the licensee will normally carry out a study into the implications of the proposed development on the marine environment, on other users of the sea, and on local coastal areas, consulting the relevant local authority as appropriate. Any proposed installations onshore will be covered by the normal planning procedure.

The Government is confident that the blocks to be offered for licensing, and the arrangements for the Round, will provide worthwhile and attractive opportunities for the industry to extend their exploration for oil and gas reserves on the UK Shelf.

CONFIDENTIAL

10.4.80

BLOCKS TO BE RECOMMENDED TO MINISTERS FOR INCLUSION IN THE ROUND

East of Shetlands	209/30	SW Approaches	72/15
	1/4		72/25 and 73/21
	1/5		73/2
			73/3
			73/4
Moray Firth	11/25		73/5
	12/21	20/11	73/6
	12/22	20/12	73/10
	12/23	20/13	73/13
	12/24	20/14	73/14 and 73/19
	12/27	20/15	73/15
	12/28		73/17 and 73/18
	12/29		
	13/11		
	13/26		
		W. Shetlands	206/1
			214/25
Southern North Sea	43/26		214/27
	47/14(b)		214/28
	49/10(b)		214/29
	49/30(b)		208/9
	50/16* and 50/21		208/10
	50/26(b)		208/13
	54/1(b)*		208/14
			208/16
English Channel	99/12* and 99/13*		208/17
	99/16		208/18
	99/17		208/21
	99/18		208/22
	98/11*		209/1
	98/17		209/2
	98/18		209/4
	87/8		209/8
	87/13		209/12
	86/17		
	86/22		
	86/23		
North of 62°N	218/29		
	218/30		
	219/20		
	219/25		
	219/26		
	219/27		
	219/28		
	219/29		
	219/30		
	220/16 and 220/21 and 220/22		
	220/26		
	220/27		

On these blocks, drilling will be restricted as follows:

- 50/16 No drilling may take place in this block north of $53^{\circ}27'N$.
- 54/1 (b) No drilling may take place in this block south of $52^{\circ}52'N$,
- 99/12 No drilling may take place in this block north of a line drawn between co-ordinates $50^{\circ}33'30''N$ $00^{\circ}48'W$ and $50^{\circ}35'N$ $00^{\circ}36'W$.
- 99/13 No drilling may take place in this block north of a line drawn between co-ordinates $50^{\circ}35'N$ $00^{\circ}36'W$ and $50^{\circ}37'N$ $00^{\circ}24'W$.
- 98/11 No drilling may take place in this block in the area bounded by co-ordinates

1. $50^{\circ}30'N$ $01^{\circ}59'W$
2. $50^{\circ}35'20''N$ $01^{\circ}48'W$
3. $50^{\circ}30'N$ $01^{\circ}48'W$

Definition of company nomination area.

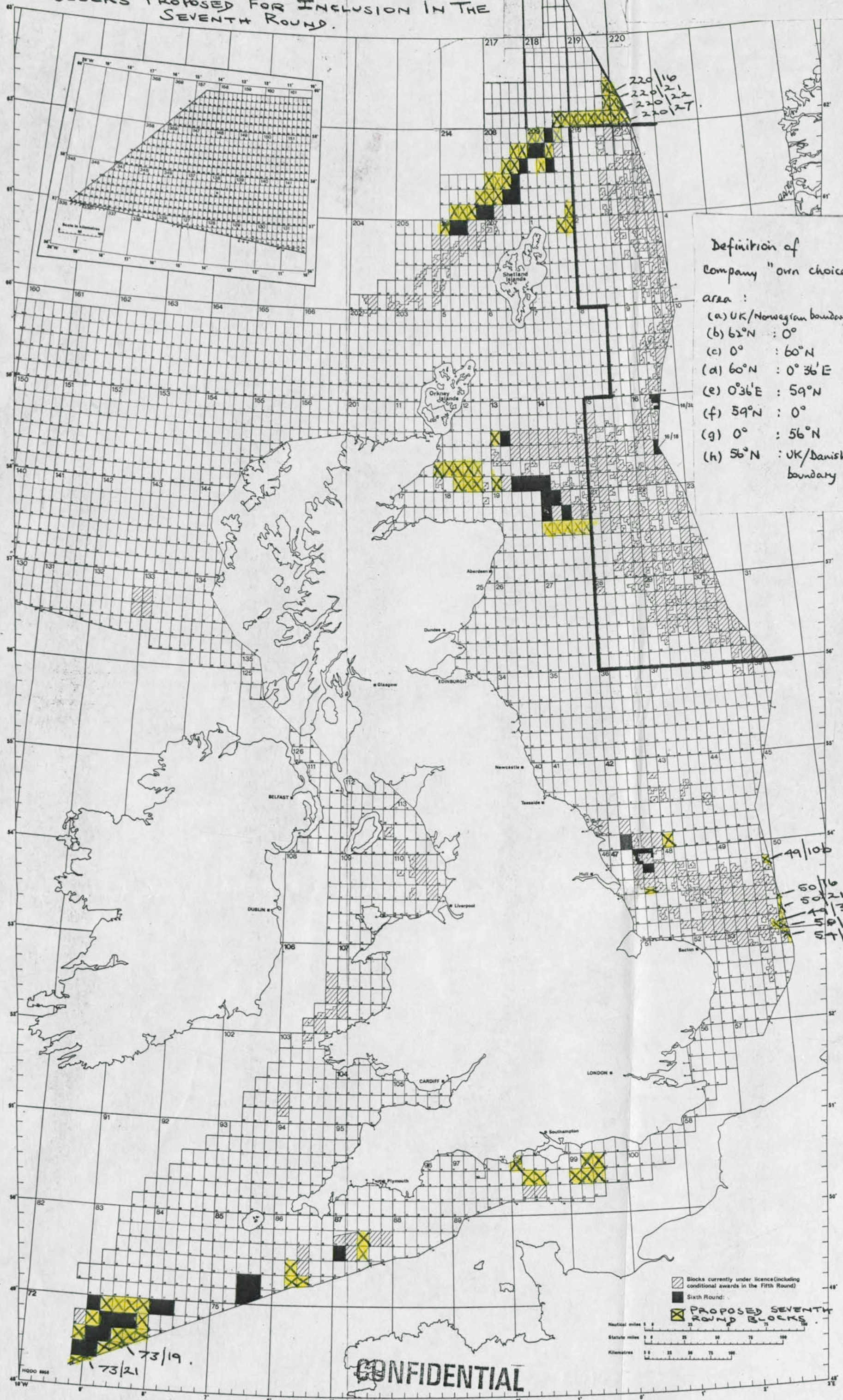
The company nomination area will be bounded by lines joining the following co-ordinates:

- (a) UK/Norwegian boundary: $62^{\circ}N$
- (b) $62^{\circ}N$: 0°
- (c) 0° : $60^{\circ}N$
- (d) $60^{\circ}N$: $0^{\circ}36'E$
- (e) $0^{\circ}36'E$: $59^{\circ}N$
- (f) $59^{\circ}N$: 0°
- (g) 0° : $56^{\circ}N$
- (h) $56^{\circ}N$: UK/Danish boundary.

U.K. CONTINENTAL SHELF
BLOCKS PROPOSED FOR INCLUSION IN THE SEVENTH ROUND.

16 APRIL 1980

(C)



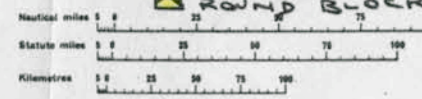
Definition of
Company "own choice"
area :

- (a) UK/Norwegian boundary: 62°N
- (b) 62°N : 0°
- (c) 0° : 60°N
- (d) 60°N : 0° 36'E
- (e) 0° 36'E : 59°N
- (f) 59°N : 0°
- (g) 0° : 56°N
- (h) 56°N : UK/Danish boundary

Blocks currently under licence (including conditional awards in the Fifth Round)

 Sixth Round:

 PROPOSED SEVENTH ROUND BLOCKS



22 APR 1960

BRITISH
POST
OFFICE

Energy



Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

28 April, 1980

The Rt. Hon. David Howell, MP.,
Secretary of State for Energy

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David Howell

SEVENTH ROUND: ANNOUNCEMENT OF ARRANGEMENTS

Thank you for your letter of 22nd April in which you seek agreement to the text of the statement announcing the arrangements of the Seventh Round.

I am generally content with the terms of your announcement except that I think that it should say in the sixth line:

"My aim is to licence approximately 90 blocks ..."

I suggest this because E Committee's agreement was to a Round of "approximately 90 blocks", not "up to 90 blocks". The change is important because it is just possible that you will want to allocate applications for all the 70 "identified blocks". That would then mean that you could only licence 20 "nominated" blocks, even though you might have received acceptable applications for more. This would result in some loss of revenue since there will be an initial payment for the "nominated" blocks.

My only other comment is to wonder whether this initial payment might not be £5m rather than £4m. I recognise that £4m was the sum suggested in your paper to E Committee, and was I think, based on a rough estimate of the cost of drilling one well. But £5m is a round figure and just as good an estimate of the cost of drilling a well. Above all, it would increase receipts by some £20m, if you are confident that 20 nominated blocks will be allocated. This extra revenue would be particularly useful in view of the difficulties in meeting the £500m disposal target for 1980-81. I leave it to you to decide the amount of the initial payment for nominated blocks, but I hope that you will look at £5m sympathetically.

Finally, could I ask that your Department should consult mine about the number of nominated blocks which will be allocated before coming to a final decision. This will have consequences for the PSBR.

/I am sending



I am sending a copy of this letter to the Prime Minister, the Foreign and Commonwealth Secretary, the Secretaries of State for Defence, Scotland and Wales, to members of E Committee and to Sir Robert Armstrong.

A handwritten signature, likely "Geoffrey Howe", with several horizontal lines above and below it, possibly indicating a signature line or a checkmark.

GEOFFREY HOWE

28 APR 1960

12 1 2 3 4
5 6 7 8 9
10 11



From the Minister

Energy

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

The Rt Hon David Howell MP
Secretary of State for Energy
Thames House South
Millbank
London SW1P 4QJ

R
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29 April 1980

R. D. Hunt

SEVENTH ROUND: ANNOUNCEMENT OF ARRANGEMENTS

In your letter to Geoffrey Howe of 22 April you invited comments on your proposal, including the text of the announcement and the timing.

I welcome the references to fisheries in both your letter and in the text of the announcement. Oil exploration is, of course, vital to the national economy but it is essential that it should cause as little disruption as possible to the fishing industry in the areas affected. The industry is, as you know, currently facing severe problems. I therefore place particular importance on your proposal for a "code of conduct" for oil companies towards fishing activities. Your officials will, no doubt, be discussing the details with mine as well as with the fishing industry representatives.

In any such code, emphasis must be placed on the imposition of stringent standards in relation to the handling and subsequent clean up of oil related debris. This is vital to fishing interests.

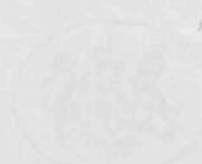
You refer in your letter to environmental studies and in view of my responsibilities with regard to the marine environment, my Department should of course be consulted at an early stage to ensure that these interests are adequately covered.

So far as the text of the announcement and the timing are concerned, I am content except that I should like the addition to the text in the 13th line on the second page after "should liaise with" of "the local representatives of the Fisheries Departments and with".

I am sending copies of this letter to the Prime Minister, the Foreign and Commonwealth Secretary, Secretaries of State for Defence, Scotland and Wales, to members of "E" Committee and to Sir Robert Armstrong.

Peter Walker
PETER WALKER

30 APR 1950





Energy

Foreign and Commonwealth Office
London SW1

28 April 1980

*R
28/4*

SEVENTH ROUND: ANNOUNCEMENT OF ARRANGEMENTS

Thank you for sending Peter Carrington a copy of your letter of 22 April to Geoffrey Howe. I have only one point about the text of the announcement you propose to make. I believe that it would be preferable for point (c) to confine itself to the statement that licences will be awarded, as on previous occasions, on a discretionary basis. The aim is to avoid giving grounds for suspicion that the reference to contributions to the UK economy reflects possible discrimination against Community firms. I realise that the present draft reflects language that has previously been used in the London Gazette, but its use in Parliament is much more likely to attract notice.

I am sending copies of this letter to the recipients of yours.

The Rt Hon David Howell MP
Secretary of State for Energy
Thames House South
Millbank
London SW1P 4QJ



28

12 1 2 3 4 5 6 7 8 9 10 11



Energy

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon David Howell MP
Secretary of State for Energy
Department of Energy
Thames House South
Millbank
LONDON

22074
24 April 1980

Dear David,

SEVENTH ROUND: ANNOUNCEMENT OF ARRANGEMENTS

Thank you for copying to me your letter of 22 April to the Chancellor about your proposals for the Seventh Round of Licensing.

I had hoped that we might have had more time to examine in greater detail the actual areas to be licensed but I recognise your desire and that of colleagues to press ahead with the arrangements for the Round. However, as your letter acknowledges, the proposals for licensing in the Moray Firth (15 blocks in all) are alone bound to generate considerable hostility in the fishing industry. I accept that overall the number of sensitive fishing areas affected has been reduced from that originally proposed by your officials; that the Inner Moray Firth area escaped the Fifth and Sixth Round allocations; and that other parties in the area are keen to see exploration activity. The fact remains that oil activity could have major implications for the inshore fishing industry which operates there and which, due to the size of their vessels, simply cannot fish elsewhere.

I therefore place great store by your commitment to consult the fishing industry on any additional blocks which may be licensed as a result of "own choice" applications and of your intention to draw up a "code of conduct". I ought to say however that I doubt whether the fishermen will feel that their interests have been generally safeguarded and Peter Walker and I are bound to be under increased pressure on their claim for compensation for loss of access.

The above reservations apart, I am generally content with the terms of your proposed announcement. I am copying this letter to the recipients of yours.

Yours sincerely,

George

25 APR 1980

