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Energy

Prime Minister (2)

PRIME MINISTER

To note.

ms 4/5

[Handwritten signature]

The proposals for an Eighth Round of offshore licensing set out in E(82)32 were approved by 'E' Committee on 22nd April with two conditions. First, it was left to me to decide, in consultation with the Chancellor of the Exchequer, the timing of the announcement of the proposals. Second, I was asked to consult the Minister of Agriculture, Fisheries and Food and the Secretary of State for Scotland on the most appropriate way of taking account of the interests of the fishing industry in the Eighth Round.

I have now agreed with the Chancellor that an early announcement should be made. I had planned to make the announcement in a Written Answer to an arranged Parliamentary Question. However, Hugh Dykes has put down a Question for Oral Answer on 17 May asking when I expect "to announce a new series of licence applications for North Sea exploration". I wish, therefore, to make the announcement in my reply to him and my proposed text is attached.

On fishing interests, colleagues have drawn my attention to the general and specific sensitivities. We shall need to find a sensible course between the fishing industries' outright opposition to any further licensing and our desire to maintain the momentum of oil exploration. To that end, I envisage consultations with the fishing organisations and careful consideration of their representations about particularly sensitive blocks. I am aware that some of these blocks lie in the areas mentioned in the announcement.



- 2 -

When all consultations, including those with the Nature Conservancy Council and the oil industry, have been completed, the list of blocks has been finalised and new Regulations have been promulgated, I shall publish the formal invitation to apply as a Gazette Notice. The timing is likely to be some time in August.

I am copying this minute to the Lord President and to 'E' Committee colleagues as well as to the Secretaries of State for Scotland and Wales.

Secretary of State for Energy

11 May 1982

ANNOUNCEMENT OF THE EIGHTH ROUND

QUESTION

- *17 MR. HUGH DYKES (HARROW EAST): To ask the Secretary of State for Energy when he expects to announce a new series of licence applications for North Sea exploration.

ANSWER

I am today circulating in the Official Report proposals for a new Round of offshore licensing. The formal invitation to apply will follow in a few months' time.

OFFICIAL REPORT

The following are the proposed plans:

The main objectives are to open up areas in which exploratory drilling has not yet taken place and to provide further opportunities to explore in the established gas province.

I have in mind licensing in total about 85 blocks drawn from the following:

- i. a wide selection of blocks in the previously undrilled areas of Unst, Fair Isle and West Orkney Basins, East Shetlands Platform, Forth Approaches, Southern Sub-Basin (entrance to Bristol Channel) and the mid-North Sea High (an area between latitudes 55° and 56° North).
- ii. unlicensed blocks between $53^{\circ}10'$ North and 54° North in the Southern Basin of the North Sea; and
- iii. a small selection of blocks in the mature oil province of the central North Sea.

I shall be inviting cash tender bids for the blocks in (iii) above; all other licences in the Round will be awarded purely on the basis of assessment against published criteria. These criteria will be broadly similar to those for the Seventh Round. An undertaking along the lines of that attaching to Seventh Round licences, to allow BNOC an option to acquire up to 51% of any petroleum produced, will be required.

I expect the closing date for the Eighth Round to be towards the end of the year. In the coming weeks I shall be developing the details of the Round. I shall welcome any views or comments from interested parties on the plans I have outlined, with particular reference to areas where they believe special care and attention in the conduct of exploration and development may be needed for environmental, fishing or other reasons.

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

From the Minister

CONFIDENTIAL

Prime Minister (4)

ms 18/5

cc JV

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

17 May 1982

EIGHTH ROUND OF LICENSING

I am grateful to you for letting me see your minute to the Prime Minister of 11 May about the Eighth Round of offshore licensing. From this I was glad to note that you accept in principle the need for consultations with fishing organisations. I also note the implication in your minute that such consultations would be meaningful.

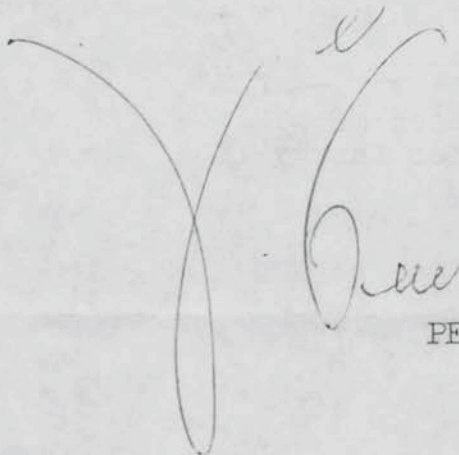
There is little doubt that the fishing industry will be disturbed at the extent of the licensing proposals now suggested and will have strong reservations about some of the blocks which constitute important fishing grounds being on offer. In the circumstances, it is essential that the voice of the fishermen's organisations is not only heard but is acted upon, perhaps through the withdrawal of some blocks, when a strong fisheries case is established. I therefore suggest that the final paragraph of the proposed announcement should be strengthened by the addition of a further sentence making it clear that an opportunity will be given to the fishermen's organisations to discuss the implications of the Eighth Round proposals for their industry.

/ I am sending ...

CONFIDENTIAL

CONFIDENTIAL

I am sending copies of this letter to the Prime Minister, the Lord President, to members of E Committee, the Secretaries of State for Scotland and Wales and to Sir Robert Armstrong.

A large, stylized handwritten signature in dark ink, consisting of a large 'P' and 'W' intertwined.

PETER WALKER

CONFIDENTIAL



MINISTER OF STATE FOR
THE ARMED FORCES
D/MIN(AF)/PB/1/5/3

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB

Telephone 01-218 2216 (Direct Dialling)
01-218 9000 (Switchboard)

Prime Minister (4)

MW 18/5

cc JVK

17 May 1982

Dear Nigel,

mb

John Nott has asked me to comment on his behalf on your minute of 11th May to the Prime Minister about the proposed eighth round of offshore oil licensing. There is a direct defence interest in that potential oil activity on the UK Continental Shelf may not everywhere be compatible with essential defence usage of the sea areas concerned.

I have no objection to the general thrust of your plans for an eighth round, nor to the announcement that is proposed. But I am sure you will agree that the subsequent choice of blocks to be offered must be subject to the customary scrutiny by officials of the merits of particular blocks.

I am copying this minute to the Prime Minister, the Lord President, to E Committee members and to the Secretaries of State for Scotland and Wales.

Yours ever,
Peter.

PETER BLAKER

The Rt. Hon. Nigel Lawson, MP.

Lynn Energy

NBPM

MS 14/5

01 211 6402

The Rt Hon George Younger TD MP
Secretary of State for Scotland
Scottish Office
Whitehall
London
SW1A 2AU

13 May 1982

Dear Secretary of State,

EIGHTH ROUND OF LICENSING

Thank you for your letter of 12 May.

I am content with the inclusion in the answer of the additional words you propose.

I am grateful to you for not pressing me to delete the Fair Isle and West Orkney Basins from the areas proposed for inclusion in the Round. My Department intends to write to the fishing organisations on Monday seeking consultations on the proposals, and we shall of course need to consider very carefully any representations they may make.

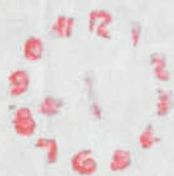
I am copying this letter to the Prime Minister, John Biffen, our colleagues on 'E' and Nicholas Edwards.

Yours sincerely
Janet Chadwick

PP NIGEL LAWSON

(Approved by the Secretary of State and
signed in his absence)

3 MAY 1982





cc J.V.

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

cc: LORD PRESIDENT
'E' COMMITTEE
S of S / Wales
PS/M of S
PS/Fletcher
PS/Mackay
PS/US of S
PS/SEPD
PS/DARS.

NBPM

MUS 14/5

CONFIDENTIAL

The Rt Hon Nigel Lawson MP
Secretary of State for Energy
Department of Energy
Thames House South
Millbank
LONDON
SW1P 4QJ

12 May 1982

Her Secretary of State

EIGHTH ROUND OF LICENSING

Thank you for copying to me your minute to the PM about the proposed terms of your reply to Hugh Dyke's PQ to be answered on 17 May.

Following E Committee I asked my officials to get in touch with yours with a view to deleting the two most sensitive fishing areas (Fair Isle and West Orkney basins) from the blocks to be offered. I gather that you are reluctant to do this at least at this stage. I fear that to retain them in the terms of the answer will rebound on us but I accept that you wish - from an oil exploration point of view - to make the offer attractive. Subject to your assurance that you will take very seriously the points the fishermen make I will not press you further on this now. I should nevertheless note for the record that licensing in the more prolific fishing areas will make resisting the case for compensation for loss of access the more difficult.

I would, however, like to make one point on the terms of your answer. It seems to me that there would be strong presentational merit in making it clear that we intend to have explicit consultation with the fishermen. Could I suggest therefore that you insert "I intend to discuss my detailed proposals for licences with those involved" before the last sentence. If this were accompanied by an early letter to the major fishing organisations about the setting up of a meeting I hope that we could take some of the sting out of the fishermen's reaction.

I am copying this letter to the recipients of your minute.

Tim ...
Alfred ...

(Approved by the Secretary of State
and signed in his absence)