

SUBJECT

CONFIDENTIAL

Energy
DA



EU
bc Mr Verelaw
Mr Ingham

10 DOWNING STREET

cc Master

From the Private Secretary

3 March 1983

Dear Julian,

Oil

The Prime Minister had a brief word with your Secretary of State yesterday afternoon about developments on oil prices.

Your Secretary of State said that he had received a number of visitors from oil producing countries, who had urged UK production cut-backs. He had given these visitors a cordial reception, but had made it clear that the British Government did not seek to intervene in BNOC's pricing policies, which followed market movements. The production programme was governed by existing agreements about depletion; and, in fact, it would be very expensive to exercise our right to leave the royalty oil under the ground for lifting later.

The Prime Minister said she agreed that this was the right stance for the Government. We had no intention of joining forces with the OPEC cartel, and should listen politely to such representations. Your Secretary of State said that it was helpful during these conversations to make the point that there would, in any event, be no increase in oil production next year.

I am sending a copy of this letter to John Holmes (Foreign and Commonwealth Office) and Margaret O'Mara (HM Treasury).

Yours sincerely,

Michael Scholar

Julian West, Esq.;
Department of Energy.

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