



SECRETARY OF STATE FOR ENERGY  
THAMES HOUSE SOUTH  
MILLBANK LONDON SW1P 4QJ

01-211-6402

Prime Minister

(1)

Agree messages subject to  
the view of Mr. Lynn who is  
being consulted over the  
weekend?

A.S.C.  $\frac{25}{3}$

Robin Butler Esq  
Principal Private Secretary  
10 Downing Street  
London SW1

25 March 1983

Dear Robin,

Agreed as you  
have amended  
me

THE OIL PRICE AND THE UNITED KINGDOM ECONOMY

As requested in your letter of 24 March I attach the  
draft messages to the three Gulf Rulers.

I am copying this letter to John Kerr and Roger Bone.

Yours ever,

J D WEST  
Private Secretary

DRAFT MESSAGE FROM THE PRIME MINISTER TO RULERS OF UAE, KUWAIT AND QATAR

1. At this time when so many problems, ~~economic as well as political,~~ preoccupy our two countries, I am writing to Your Highness about developments in the oil market. *which we have been following with close attention.* ~~The British Government have been following these with close attention, as I am sure you have. We were grateful to be kept informed recently during the long OPEC meeting in London.~~

2. ~~I thought that it would be helpful if I set out my Government's views on recent developments in the world oil market.~~ *The British government* We would like to see greater stability in the oil market. The reduction we have seen recently in international oil prices will give support to the world economy at a time of world recession. This in turn should show itself in due course in increased demand for oil. But we share your interest in avoiding a further sharp fall in prices. We also consider that severe fluctuations in prices would be contrary to the interests of producers and consumers alike.

3. We have done what we can to assist stability of the oil market. After the Geneva OPEC meeting the British National Oil Corporation (BNOC) delayed any immediate decision on its prices despite strong pressure for a reduction. When it did propose a reduction this was the minimum judged necessary in the interests of settling the market for its oil. It was a level which would have been consistent with the re-establishment of the Arabian Light marker price of \$30 per barrel. Again, following the OPEC



meeting in London, which reached agreement on a new marker price of \$29, ENOC refrained from making any immediate move on prices.

4. It is likely, however, that in due course ENOC will need to make an adjustment though it will do so only to the extent that the market situation makes this essential. The British National Oil Corporation has under the law only a limited role as a trader in oil; it has to negotiate a price for its oil which is acceptable to both its suppliers and its customers. It cannot store production beyond a very few days and cannot refuse to take the oil placed with it except at many months notice. Its price can therefore only reflect market forces. Neither ENOC nor the British Government can control prices or production any more than the US Government control these matters in the United States. Nevertheless we recognise the very great efforts made by the OPEC member countries to reach an agreement aimed at steadying the market and ENOC will also act to the greatest extent possible in the interests of stability in the market.

5. I have seen suggestions that any price reduction by ENOC would be seen as leading to a price war. Since ENOC can do no other than follow existing market conditions such suggestions are wrong and unhelpful. They provoke in themselves instability in the oil market. Oil from several other sources of equal or greater value than North Sea oil is already priced below it. If ENOC is obliged to make a reduction it will be limited to what that situation imposes.



6. I am glad that Mr Lawson, the British Energy Secretary, was able to have contact recently in London with Dr Mana al Otaiba (for Kuwait Shaikh Ali Khalifa) (For Qatar: colleagues from OPEC countries) and I hope that it will be possible for our two countries to keep in close touch in future. I hope that we shall also continue to keep in touch, at both Ministerial and diplomatic level, on the many other important economic and political questions that currently affect our interests, in particular, for instance, questions that affect the security of the Middle East region such as the issue of Palestine and the conflict between Iran and Iraq.

Energy Jan 80

Non-OPEC oil prices

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E.O.B.



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10 DOWNING STREET

*From the Private Secretary*

28 March, 1983

THE OIL PRICE AND THE UNITED KINGDOM ECONOMY

Thank you for your letter of 25 March. As you will be aware, a slightly modified version of the proposed message from the Prime Minister to the Rulers of the UAE, Kuwait and Qatar was approved and issued over the weekend. The texts will be available to you from the relevant FCO telegrams.

I am copying this letter to John Kerr (HM Treasury) and Roger Bone (Foreign and Commonwealth Office).

A. J. COLES

J.D. West, Esq.,  
Department of Energy