

OIL : ADVANCE COPIES

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PS No. 10 DOWNING ST. (4)

Energy

PS

PS/MR HUROD

PS/MR HIFKIND

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MR EVANS

MR WEIGHT

MR ADAMS

~~MR THOMAS~~

MR EGERTON

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~~SECRET COPY~~

ADVANCE COPY

FLASH

MR MORPHET

MR WIGGINS

DR J WRIGHT

MR FREEMANTLE

MISS PENNY BOYS

MS CAMERON

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THAMES HSE SOUTH

MR S UNWIN

MR R LAVELLE

MR N WICKS

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HM TREASURY

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MR GRAHAM HARRISON) ODA

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CONFIDENTIAL

FM KUWAIT 310857Z MAR 83

TO FLASH FCO

TEL NO 92 OF 31 MARCH

RPTD FOR INFO TO IMMEDIATE JEDDA AND LAGOS.

YOUR TEL NO 146 TO JEDDA : OIL PRICES.

FLASH

I SPOKE ACCORDINGLY TO SHAIKH ALI KHALIFA AND LEFT SPEAKING NOTE. ALI KHALIFA WELCOMED THIS DECISION WARMLY, DESCRIBING IT AS A WISE AND BRAVE STEP FOR BNOB, BRITAIN AND OIL STABILITY GENERALLY. HE WOULD SAY AS MUCH PUBLICLY IN NEXT HOUR OR SO.

2. YESTERDAY HE AND SHAIKH YAMANI HAD SECURED AGREEMENT OF ALL OPEC COUNTRIES EXCEPT NIGERIA NOT TO ALTER THEIR PRICES, EVEN IF NIGERIAN PRICES WENT DOWN. THEY HAD THEN WORKED ON NIGERIA BUT HAD ONLY SO FAR PERSUADED THEM TO LIMIT ANY 'MATCHING' REDUCTION TO A MAXIMUM OF 25 CENTS A BARREL. LAST NIGHT THEY HAD INCREASED PRESSURE ON NIGERIA TO DO NOTHING BUT NIGERIAN OIL MINISTER WOULD ONLY PROMISE TO DELAY A DECISION UNTIL PRESIDENT SHAGARI RETURNED TO LAGOS THIS EVENING. WITH THE INTERVENTION OF EASTER, THE NIGERIANS WERE UNLIKELY TO DECIDE UNTIL MONDAY OR TUESDAY. AS A TACTICAL PLOY, ALI KHALIFA AND YAMANI HAD NOT REVEALED TO THE NIGERIANS THE AGREEMENT OF THE OTHER 12 OPEC MEMBERS NOT TO REDUCE PRICES.

3. ALI KHALIFA SAID HE WAS NOW MORE HOPEFUL ABOUT THE SHORT TERM STABILITY THAN FOR SOME TIME. IF NIGERIA WOULD HOLD BACK, WELL AND GOOD, IF NOT, ONE COUNTRY'S DECISION TO LOP 25 CENTS OFF THE OPEC MARKER PRICE SHOULD BE CONTAINABLE.

4. AL KHALIFA HINTED THAT TODAY WAS THE CRUCIAL TIME TO MAKE POLITICAL REPRESENTATIONS IN LAGOS. I SAID I WAS SURE WE WERE DOING JUST THAT.

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PS No. 10 DOWNING ST.

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MR WIGGINS
DR J WRIGHT
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MISS LAGNEY WEG
MR D FOED OT5

DOT
1 Victoria St.

MR GRAHAM HARRISON) ODA

CONFIDENTIAL

FM TEHRAN 310930Z MAR

TO PRIORITY FCO

TELNO 182 OF 31 MARCH 83

INFO RIYADH, OSLO, KUWAIT, DOHA, ABU DHABI, DUBAI, MUSCAT,
JAKARTA, CARACAS, BAGHDAD, TRIPOLI, ALGIERS, QUITO, MEXICO
CITY, BAHRAIN, WASHINGTON, PARIS, UKDEL OECD, UKREP
BRUSSELS, BRUSSELS, BNN, ROME, LUXEMBOURG, ATHENS, OTTAWA,
CAIRO, DUBLIN, COPENHAGEN, THE HAGUE, TOKYO.

YOUR TELNO 146 : THE OIL SITUATION.

1. WE HAVE INFORMED THE NATIONAL IRANIAN OIL COMPANY (NIOC) OF THE NEW BIOC PRICES. HOOSHMAND, THE GENERAL MANAGER CRUDE SALES, THOUGHT THE PRICE REDUCTIONS WERE REASONABLE AND IN LINE WITH MARKET CONDITIONS .
2. NIOC HAS JUST ANNOUNCED ITS OWN OFFICIAL PRICES FOR CRUDE WHICH ARE DOLLARS 28 PER BARREL FOR LIGHT AND DOLLARS 26.9 FOR HEAVY. HOOSHMAND SAID THAT THE PRICE REFLECTED THE EXTRA COST TO CUSTOMERS DUE TO WAR RISK ETC, AT KHARG ISLAND WHICH HE ESTIMATED AT 40 TO 60 CENTS PER BARREL UNDER RRENT CONDITIONS. THE ADDITIONAL DISCOUNT HOOSHMAND SAID WAS TO COMPENSATE FOR THE QUOTE PSYCHOLOGICAL FACTOR UNQUOTE WHICH HINDERED IRANIAN OIL SALES. BY THIS HE MEANT THE RELUCTANCE OF PURCHASERS TO TAKE OIL FROM A WAR RISK AREA IN PREFERENCE TO OTHER SUPPLIERS

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THE ADDITIONAL DISCOUNT HOOSHMAND SAID WAS TO COMPENSATE FOR THE QUOTE PSYCHOLOGICAL FACTOR UNQUOTE WHICH HINDERED IRANIAN OIL SALES. BY THIS HE MEANT THE RELUCTANCE OF PURCHASERS TO TAKE OIL FROM A WAR RISK AREA IN PREFERENCE TO OTHER SUPPLIERS AND VARIOUS OTHER PHYSICAL DIFFICULTIES IN LOADING AT KHARG.

3. HOOSHMAND SAID THE IRANIAN GOVT. DID ACCEPT THE OPEC LIMITATION ON PRODUCTION AND WOULD PRODUCE BETWEEN 2.4 AND 2.5 MILLION BARRELS PER DAY (THIS IS A LITTLE OVER THE PUBLISHED FIGURE OF 2.4 MILLION BARRELS A DAY) AND WILL THUS EXPORT 1.9 MILLION BARRELS A DAY. HOOSHMAND SAID IN CURRENT MARKET CONDITIONS EVEN THIS FIGURE MIGHT BE DIFFICULT TO ACHIEVE. HE DENIED DAMAGE TO THE OILFIELDS FOR EARLIER HIGH RATES OF PRODUCTION AND SAID CURRENT PRODUCTIVE CAPACITY WAS 3.2 - 3.5 MILLION BARRELS PER DAY. HOOSHMANDS VIEW WAS THAT CUSTOMERS GENERALLY WOULD HOLD BACK FROM SIGNING CONTRACTS DURING THE NEXT ONE TO TWO MONTHS UNTIL THE TREND OF SPOT PRICES BECAME CLEARER AND THAT THIS WOULD BE A DIFFICULT TIME FOR ALL PRODUCERS. IRAN WOULD NOT BREAK RANKS DURING THIS PERIOD.

4. HOOSHMAND SAID THE POLICY OF MAXIMISING OIL SALES IRRESPECTIVE OF PRICE WAS NOW MORE MUTED BECAUSE A SUBSTANTIAL INCREASE IN FOREIGN EXCHANGE RESERVES MEANT THAT IRAN COULD NOW WITHSTAND TWO MONTHS PRESSURE FROM CUSTOMERS TO REDUCE THEIR PRICES FURTHER. HOOSHMAND SAID THE IRANIAN GOVT. NOW BELIEVED THAT THEIR INTERESTS LAY WITH MAINTAINING THE CURRENT PRICE RATHER THAN PURSUING THEIR EARLIER POLICY. CHARACTERISTICALLY, HOOSHMAND HAS SOME GENEROUS WORDS ABOUT SAUDI ARABIA WHO HE SAID HAD IMPLICITLY OFFERED AT THE OPEC MEETING IN LONDON TO REDUCE THEIR PRODUCTION TO AS LOW AS 500,000 BARRELS PER DAY FOR A SHORT PERIOD IF THIS WAS NECESSARY TO DEFEND THE NEW MARKET PRICE.

5. HOOSHMAND SAID THAT EVEN WITH THE CURRENT REDUCTION IN PRICE AND VOLUMES THE IRANIAN GOVT. WOULD HAVE TO REVISE DOWNWARDS ITS 1983/84 BUDGET AND DEVELOPMENT PLANS.

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FM LAGOS 312000Z
TO FLASH FCO
TELEGRAM NUMBER 258 OF 31 MAR 83
AND IMMEDIATE TO JEDDAH AND RIYADH
PRIORITY TO WASHINGTON, OSLO, KUWAIT, DOHA, ABU DHABI, MUSCAT
BIS TEHRAN, BAGHDAD, BAHRAIN, BEIRUT, JAKARTA, CARACAS, MEXICO CITY,
TRIPOLI, AND ALGIERS

MY TEL NO 249 (NOT TO ALL) : OIL PRICES

1. SUMMARY.

THE NIGERIAN GOVERNMENT HAS DECIDED TO LEAVE ITS CURRENT
OIL PRICES UNCHANGED AND WILL BE ISSUING A PRESS STATEMENT TONIGHT TO
THIS EFFECT. A FURTHER MESSAGE WILL BE SENT TO MR LAWSON NEXT WEEK.

2. COMMERCIAL COUNSELLOR CHECKED NIGERIAN POSITION AGAIN WITH
DIKKO'S OFFICE LATE TODAY AND HAS NOW BEEN TOLD OF A PRESS
STATEMENT TO BE ISSUED LATER TONIGHT AS BELOW. BELO-OSAGIE OF
DIKKO'S STAFF ASKED FOR ADDITIONAL TWO POINTS TO BE MADE TO YOU

(1) NIGERIA WISHES TO ENSURE STABILITY IN THE OIL MARKET
BY REACHING AN AMICABLE SETTLEMENT ON PRICES

(2) A DETAILED REPLY WILL BE SENT TO MR LAWSON'S MESSAGE
NEXT WEEK SETTING OUT NIGERIA'S 'ACTUAL FEELINGS'.

3. PRESS STATEMENT WILL BE ON FOLLOWING LINES.:

BEGINS

THE FEDERAL GOVERNMENT OF NIGERIA HAS BEEN NOTIFIED OF RECENT
PRICE CUTS APPROVED BY THE BRITISH GOVERNMENT WHICH LEAVE THE
HIGHEST GRADES BROADLY IN LINE WITH OPEC THINKGIN. THE NIGERIAN
GOVERNMENT REGARDS THIS AS A SETTLEMENT AND A GENUINE ATTEMPT
TO RESTORE STABILITY INTO THE MARKET PLACE BY SEEKING A SOLUTION
WHICH UNDERLINES THE BASIC INDIVISABILITY AND UNITY OF INTEREST
OF OIL PRODUCERS, BOTH OPEC AND NON-OPEC. NIGERIA WILL THEREFORE
LEAVE ITS OWN OIL PRICES UNCHANGED. THE FEDERAL GOVERNMENT
EMPHASISES THE TASK FACING ALL IN MAINTAINING CONFIDENCE AND
STABILITY BY STRENGTHENING THE EXISTING PRICE STRUCTURE AND
RESTRAINING PRODUCTION. THE NIGERIAN GOVERNMENT WILL SPARE NO
EFFORT.

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4. DUGGAN THANKED BELO-OSAGIE FOR THIS ADVANCE NOTICE AND SAID THAT HE WAS SURE THAT THE NIGERIAN DECISION WOULD BE WELCOMED IN LONDON.

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ADDITIONAL DISTRIBUTION
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FM ABU DHABI 311520Z MAR 83
TO IMMEDIATE FCO
TELEGRAM NUMBER 79 OF 31 MAR 83

RPTD FOR INFO TO GULF POSTS, ALGIERS, TRIPOLI, BAGHDAD, BIS TEHRAN
LAGOS, CARACAS, JAKARTA, MEXICO CITY, TOKYO, UKDEL OECD PARIS,
AND WASHINGTON.

YOUR TELNO 146 TO JEDDA: THE OIL SITUATION

1. SUMMARY: THE INITIAL UAE REACTION TO BNOG'S PRICE PROPOSALS IS SATISFACTORY.
2. THE MINISTER OF PETROLEUM HAVING BEEN LAID UP WITH THE 'FLU FOR THE LAST FEW DAYS I WAS UNABLE TO SEE HIM UNTIL THIS AFTERNOON, WHEN I CALLED ON HIM AT HIS HOUSE IN MA' MOURA (NEAR THE ABU DHABI/DUBAI BORDER).
3. DR OTAIBA WAS COMPLIMENTARY ABOUT BNOG'S COURSE OF ACTION, SAYING HE UNDERSTOOD THEIR 'LEGAL AND CONCESSIONAL' DIFFICULTIES. HE SAID HE HAD BEEN ON THE TELEPHONE TO THE NIGERIAN MINISTER OF OIL (ABOUT WHOM HE PASSED A DEROGATORY REMARK) TO TRY TO PERSUADE HIM NOT TO REDUCE HIS COUNTRY'S PRICES. THE MINISTER HAD GIVEN NO COMMITMENT: OTAIBA THOUGHT NIGERIA WOULD IN FACT COME DOWN 25 CENTS. HE SAID HE HAD THEN TELEPHONED ALGIERS AND TRIPOLI TO URGE THE NORTH AFRICAN PRODUCERS TO HOLD THEIR PRICES EVEN IF NIGERIA'S CAME DOWN.
4. OTAIBA SAID THAT HE STILL INTENDED TO HOLD THE NEXT MEETING OF THE MONITORING COMMITTEE ON 18 APRIL - IN LONDON. ~~BEFORE~~ THEN HE WOULD BE PASSING THROUGH LONDON ON HIS WAY TO VISIT TAOVMOVXICIALS IN WASHINGTON AND TO ADDRESS THE FOREIGN AFFAIRS COUNCIL IN NEW YORK, AND HE WOULD RETURN TO LONDON ON APPROXIMATELY 15 APRIL. WHEN I ASKED HIM WHETHER THERE WAS ANYTHING HE WOULD PARTICULARLY LIKE ME TO CONVEY TO MR LAWSON HE ASKED THAT HIS REGARDS BE PASSED AND SAID HE HOPED TO SEE HIM ON HIS TRAVELS: HE DID NOT REQUEST ANYTHING MORE SUBSTANTIVE.
5. TODAY'S PRESS COVERAGE OF BNOG'S PRICE PROPOSALS, WHICH RELIED ON AGENCY REPORTS, WAS BROADLY SATISFACTORY.

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 MR EVANS
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 MR THOMAS
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 ED/ESID
 ED/MED
 ED/SEAD
 ED/NEAD
 RESIDENT CLERK

IMMEDIATE

MR MORFETT
 MR WIGGINS
 DR J WRIGHT
 MR FREEMANTLE
 MISS PENNY BOYS
 MS CAMERON
 PS/ S of S for ENERGY

DEPT OF
 ENERGY
 THAMES HSE
 SOUTH

MR S UNWIN

MR R LAVELLE
 MR N WICKS
 MISS ME CUND

HM TREASURY

MR R MARTIN RM 116
 MISS LACEY WEG
 MR D POED OT5

DOT
 1 Victoria St

MR GRAHAM HARELSON) ODA

GRS 260

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FM CARACAS 302010Z MAR 83

TO IMMEDIATE F C O

TELEGRAM NUMBER 128 OF 30 MARCH

INFO JEDDA, RIYADH, KUWAIT, DOHA, ABU DHABI, DUBAI, MUSCAT,
 BIS TEHRAN, BAGHDAD, BAHRAIN, LAGOS, JAKARTA, TRIPOLI, ALGIERS
 QUITO, MEXICO CITY, OSLO, WASHINGTON

YOUR TELNO 146 TO JEDDA: OIL SITUATION

1. I SPOKE TO OIL MINISTER CALDERON BERTI AS INSTRUCTED AT 1800 GMT ON 30 MARCH. HE SAID THAT HE THOUGHT THE BNOG PRICE PROPOSALS WERE VERY POSITIVE. EARLIER IN THE DAY HE HAD BEEN IN TOUCH WITH SEVERAL OF HIS OPEC COLLEAGUES BY TELEPHONE INCLUDING THE SAUDIS, KUWAIT AND ALGERIA. HE HAD NOT BEEN ABLE TO REACH THE NIGERIANS.
2. CALDERON SAID THAT, ON 29 MARCH, HIS INFORMATION WAS THAT NIGERIA WOULD MATCH BNOG PRICE CUTS CENT FOR CENT BUT, TODAY 30 MARCH, HE HAD HEARD THAT THEY WOULD NOT REDUCE MORE THAN TWENTY FIVE CENTS PER BARREL TO MATCH THE FORTIES CUT. HIS COLLEAGUES

MT

2. CALDERON SAID THAT, ON 29 MARCH, HIS INFORMATION WAS THAT NIGERIA WOULD MATCH BNOC PRICE CUTS CENT FOR CENT BUT, TODAY 30 MARCH, HE HAD HEARD THAT THEY WOULD NOT REDUCE MORE THAN TWENTY FIVE CENTS PER BARREL TO MATCH THE FORTIES CUT. HIS COLLEAGUES WERE AGREED THAT THEY SHOULD TRY TO PERSUADE NIGERIA TO AVOID ANY FURTHER PRICE CUT, BUT WOULD ACCEPT TWENTY FIVE CENTS WITHIN THE CURRENT OPEC PACKAGE.

3. ALGERIA HAS TOLD CALDERON THAT THEY WILL HOLD THEIR PRICES. CALDERON HAS BEEN DELEGATED TO SPEAK TO THE MEXICANS IN A SIMILAR VEIN BUT HAS NOT YET DONE SO. HE SAID THAT HE EXPECTED MOST IF NOT ALL HIS OPEC COLLEAGUES TO ISSUE A STATEMENT SOON REAFFIRMING THEIR COMMITMENT TO DEFEND THE TWENTY-NINE DOLLAR MARKER.

4. COMMENT. CALDERON SEEMED GENUINELY RELIEVED AT THE LIMITED SCALE OF THE BNOC PROPOSALS. I THINK HE ALREADY KNEW WHAT THEY WERE, PRESUMABLY FROM HIS OPEC TELEPHONE CONTACTS BEFORE I SAW HIM.

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