



Prime Minister ①

Yes  
mt

Agree to conclusion of deal  
subject to colleagues? Still outstanding  
from E(A) will then be study of NIES  
generating strategy, with aim of  
reducing electricity subsidies.

PRIME MINISTER

KINSALE GAS

AT 4/10

At E(A) on 14 September colleagues agreed that the project should go ahead on the proposed terms subject to any further marginal improvements which might prove negotiable with the Republic.

I am pleased to be able to report that in further discussions with the Republic, Adam Butler has been able to secure enhancement of the terms as follows:-

- (i) the contract offered by the Republic will be extended from 20 to 22 years;
- (ii) the Northern Ireland contribution towards compression capital costs in the Republic will be £2½m rather than the sum of £5m previously proposed; this contribution will not become due until the first delivery date of gas but will be indexed from the signing of the Heads of Agreement on the basis of the United Kingdom retail price index;
- (iii) there will be an exchange of letters which will inter alia provide an assurance of best endeavours to maintain the initial contract terms when we reach the stage of renegotiation.

Peter Walker was particularly concerned that the details of the deal with the Republic should remain confidential, particularly in relation to the matter of price. The Republic has agreed that a confidentiality clause should be added to the Heads of Agreement and this will ensure that details will be revealed only



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by mutual agreement. Needless to say we will discuss with Department of Energy any proposals for disclosure of aspects of the terms of the agreement.

Formal texts covering all the terms of supply as agreed between Adam Butler and John Bruton have been drafted at official level and these will constitute formal Heads of Agreement when signed by Ministers of both Governments. The Heads of Agreement will then be the basis for a formal contract between NIGAS (the Northern Ireland company to be created which will handle the pipeline) and the relevant authority in the Republic of Ireland.

The way is therefore clear formally to sign and announce the Heads of Agreement. I would propose that this should be completed as soon as possible - Monday 10 October has been identified as a possible date and the venue would be Belfast.

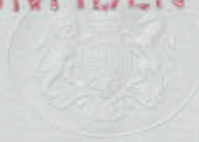
There are sound reasons for making haste. The announcement of agreement, and the subsequent promotion of natural gas, will arrest the haemorrhage of customers from the existing industry. Each month the industry loses 300 customers or 0.3%. Furthermore the longer we delay beginning to introduce the new industry, the longer we will continue to pay nearly £1m each month in subsidies to the existing uneconomic undertakings. There are also political considerations; in that regard, I would wish this sensible deal to be presented for what it is - a practical example of cross-Border co-operation, nothing more. The longer we delay the announcement the more difficult it would be to keep the agreement confidential and leaks in advance of the announcement will allow those so inclined to present the deal, in the absence of the full facts, as a political measure inimical to the continued existence of Northern Ireland.

Adam Butler and John Bruton as chief negotiators would sign the Heads of Agreement and jointly announce the outcome. Both Ministers have major economic responsibilities and will be able

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to underline the significance of the project as an example of economic co-operation between the Republic of Ireland and Northern Ireland.

My officials will be in touch with your office, with FCO and with the Department of Energy about the text of the announcement and about press briefing.

A copy of this minute goes to E(A) colleagues and Sir Geoffrey Howe.

*Derek Allitt*

J P

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

4 October 1983

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IRELAND: Supply of Natural Gas  
May '79



4 OCT 1983



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10 DOWNING STREET

*From the Private Secretary*

5 October 1983

KINSALE GAS

The Prime Minister has seen your Secretary of State's minute of 4 October which reports the improvements in the terms of the agreement with the Republic of Ireland. She is content that the Heads of Agreement should be signed and announced.

I am sending copies of this letter to the Private Secretaries of E(A) Ministers and to Brian Fall (Foreign and Commonwealth Office).

Andrew Turnbull

Derek Hill, Esq.,  
Northern Ireland Office.

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