



Chancellor of the Duchy of Lancaster

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CABINET OFFICE,
WHITEHALL, LONDON SW1A 2AS

16 July 1984

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Dear Derek,

KINSALE GAS

Thank you for your letter of 13 July to Alex Galloway.

The Chancellor of the Duchy has commented that the pattern of prices that emerges from the correspondence looks very odd:

	<u>Pence per Therm</u>
Original figure	24.1
April 1983 revise	27.1
Q2 1984	31.9
Q3 1984	33.7
Q4 1985	28.5

Lord Cockfield wonders whether such figures do not suggest that there may be something peculiar about the formula which gives rise to them. It might well be helpful if some further light could be shed on this before the discussion in E(A) on Wednesday.

I am copying this letter to the Private Secretaries to the members of E(A), to Roger Bone (FCO) and to Richard Hatfield.

James
Sebastian Birch

SEBASTIAN BIRCH

D A Hill
Private Secretary to the Secretary
of State for Northern Ireland
Northern Ireland Office
Old Admiralty Building
London SW1

Natural Gas to NI.

Ireland May 79

16 JUL 1984



BIC with E(A) papers
11/13
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From: THE PRIVATE SECRETARY



NORTHERN IRELAND OFFICE
WHITEHALL
LONDON SW1A 2AZ

A K Galloway Esq
PS/Chancellor of the Duchy of Lancaster
Cabinet Office
Whitehall
London SW1

13 July 1984

Dear Alex

Lord Cockfield has asked what is the present price of the gas from which the 5p reduction is being sought.

If Kinsale gas was now available it would have cost 31.9p/therm for the period April-June 1984. For the third quarter of 1984 it would be about 33.7p/therm. Using the economic assumptions provided by the Department of Energy earlier this year and applying them to the purchase price formula agreed with the ROI, the gas price at the end of 1985 (when the first gas should arrive) would be 28½p/therm. It is from this price that we would require a reduction of 5p/therm to ensure that, if all fixed capital costs were paid, the project would be able to cover its total operating deficit. On present assumptions the reduction would have to remain over the life of the project (32 years) and the figure of 5p be appropriately escalated year by year.

I am copying this letter to the Private Secretaries to the members of E(A), Roger Bone FCO and Richard Hatfield.

Yours ever

Dave

D A HILL

Ireland: Economic Co-operation

5/79

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Chancellor of the Duchy of Lancaster

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CABINET OFFICE,
WHITEHALL, LONDON SW1A 2AS

6 July 1984

Dear Graham,

KINSALE GAS

The Chancellor of the Duchy has seen your letter of 4 July to Andrew Turnbull recording Mr Butler's meeting with Mr Spring.

Lord Cockfield has asked what the present price of the gas is, from which the 5p reduction is being sought.

I am copying this letter to the Private Secretaries to members of E(A), Roger Bone (FCO) and Richard Hatfield.

Yours sincerely,

Alex Galloway

A K GALLOWAY
Private Secretary

G Sandiford Esq
Private Secretary
Northern Ireland Office
Whitehall
London SW1A 2AZ

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