

CONFIDENTIAL

39741 - 1

PP DUBLIN

GRS 360

CONFIDENTIAL

FM FCO 1713UOZ AUGUST 84

TO PRIORITY DUBLIN

TELEGRAM NUMBER 166 OF 17 AUGUST 1984

MY TELEGRAMS NOS 160-164 OF 15 AUGUST: KINSALE GAS.

1. THE PRIME MINISTER HAS AGREED THAT HER REPLY SHOULD BE HANDED OVER EARLY NEXT WEEK. WE UNDERSTAND THAT THE EARLIEST TIME THE IRISH CAN MANAGE IS 5PM ON TUESDAY 21 AUGUST. THAT DOES NOT PRESENT US WITH ANY DIFFICULTY. YOU SHOULD THEREFORE TAKE ACTION AS INSTRUCTED IN MY TELS UNDER REFERENCE.

2. MY TEL NO 161 PARA 6 PROMISED A FULL DRAFT TEXT OF A POSSIBLE JOINT ANNOUNCEMENT. THE TEXT IN MY IMMEDIATELY FOLLOWING TELEGRAM HAS BEEN AGREED INTERDEPARTMENTALLY. IT HAS BEEN SHOWN TO MR BUTLER WHO IS CONTENT WITH ITS GENERAL APPROACH.

3. OUR PRIME AIM IS TO PERSUADE THE IRISH TO AGREE TO A JOINT ANNOUNCEMENT. HOWEVER EVEN IF THEY DO WE SHALL NEED FOR INTERNAL POLITICAL REASONS IN NORTHERN IRELAND TO ISSUE A RATHER MORE DETAILED STATEMENT THERE ABOUT THE COURSE OF THE NEGOTIATIONS AND THE REASONS FOR THEIR FAILURE. WHAT WE HAVE IN MIND IS THAT AFTER A SUITABLE INTERVAL A PRESS NOTICE WILL ISSUE CONTAINING A STATEMENT ATTRIBUTED TO MR BUTLER, WHO WILL THEN BE AVAILABLE FOR INTERVIEW OR QUESTIONING BY THE MEDIA. THE TEXT OF THE PROPOSED PRESS BRIEFING IS BEING SENT TO YOU BY BAG AND SHOULD REACH YOU BEFORE YOUR APPOINTMENT ON 21 AUGUST. YOU SHOULD NOT SHOW IT TO THE IRISH, BUT IT WOULD BE COURTEOUS TO INDICATE TO THEM THAT

A) FOLLOWING THE JOINT ANNOUNCEMENT IT WILL BE NECESSARY FOR MR BUTLER TO INDICATE TO THE PUBLIC IN NORTHERN IRELAND HOW THE FUTURE OF THE GAS INDUSTRY WILL BE HANDLED, AND ALSO TO DRAW A LINE FOR THEM UNDER THE GAS PROJECT IN NORTHERN IRELAND. WE ARE CONSCIOUS OF THE NEED TO DO THIS IN WAYS WHICH WILL NOT CAUSE FURTHER PROBLEMS FOR THE IRISH GOVERNMENT.

1

CONFIDENTIAL

P
Dub
25/8

CONFIDENTIAL

CONFIDENTIAL

39741 - 1

B) DEPARTMENT OF ECONOMIC DEVELOPMENT OFFICIALS WILL NEED AT A LATER STAGE TO CLEAR UP ANY OUTSTANDING DETAILS WITH THEIR OPPOSITE NUMBERS IN DUBLIN (MY TEL NO 164, PARA 4).

4. IF THE IRISH DO NOT AGREE TO A JOINT ANNOUNCEMENT WE SHALL WISH TO RECONSIDER THE FORM IN WHICH WE WOULD MAKE THE ANNOUNCEMENT UNILATERALLY, BUT THE SUBSTANCE WILL NOT DIFFER GREATLY FROM THE TEXTS WHICH WE HAVE SENT TO YOU.

YOUNG

NORTHERN IRELAND
LIMITED

RID
NAD
INFO D
WED
MAED
NEWS D
PUSD
SCU
PS
PS/LADY YOUNG
PS/MR WHITNEY
PS/PUS

MR DEREK THOMAS
SIR W HARDING
MR GOODALL
MR BARRINGTON
MR O'NEILL
MR JENKINS
MR D C THOMAS
BUCKINGHAM PALACE

ADDITIONAL DISTRIBUTION
NORTHERN IRELAND

2
CONFIDENTIAL

CONFIDENTIAL

39740 - 1

PP DUBLIN

GRS 420

CONFIDENTIAL

FM FCO 17132UZ AUGUST 84

TO PRIORITY DUBLIN

TELEGRAM NUMBER 167 OF 17 AUGUST

MY IMMEDIATELY PRECEDING TELEGRAM: KINSALE GAS.

1. FOLLOWING IS PROPOSED TEXT FOR THE JOINT ANNOUNCEMENT.
BEGINS

2. OVER A PERIOD OF NEARLY THREE YEARS THE TWO GOVERNMENTS HAVE BEEN IN NEGOTIATION TO ESTABLISH THE BASIS OF A MUTUALLY BENEFICIAL PROJECT FOR THE SUPPLY OF NATURAL GAS FROM THE KINSALE FIELD TO NORTHERN IRELAND.

3. NEGOTIATIONS OF THIS NATURE IN THE ENERGY FIELD ARE OF NECESSITY DIFFICULT AND COMPLEX SINCE THE END PRODUCT MUST MEET THE INTEREST OF BOTH PARTIES IF THE AGREEMENT IS TO BE SUCCESSFUL. IN THIS CASE THE INTEREST OF THE IRISH GOVERNMENT HAS BEEN TO ENSURE THAT THE PRICE OBTAINED FOR ITS NATURAL GAS IS SUCH AS TO COMPENSATE FULLY FOR ITS REPLACEMENT FUEL. ON THE UK SIDE THE TERMS OF AGREEMENT HAD TO BE SUCH AS TO ALLOW THE DEVELOPMENT OF AN ECONOMICALLY VIABLE NATURAL GAS INDUSTRY IN NORTHERN IRELAND. A MEMORANDUM OF UNDERSTANDING WAS SIGNED IN OCTOBER 1983 PROVIDING THE MAIN TERMS ON WHICH A CONTRACT BETWEEN NORTHERN IRELAND GAS COMPANY AND BGE WOULD HAVE BEEN CONSTRUCTED. AT THAT TIME BOTH SIDES BELIEVED THAT THE TERMS AGREED WOULD ENABLE THEM TO MEET THEIR DECLARED OBJECTIVES.

4. FURTHER MONITORING OF KEY PROJECTIONS LED TO A REASSESSMENT OF THE PROJECT ON THE BRITISH SIDE, WHICH FORCED THE GOVERNMENT OF THE UK TO CONCLUDE THAT ON THE LATEST ASSESSMENTS OF PRICE AND MARKET DEMAND FOR GAS THE PROJECT WOULD NO LONGER BE ECONOMICALLY VIABLE. IN VIEW OF ITS FIRMLY DECLARED INTENT THAT THE PROJECT MUST NOT BE DEPENDENT ON SUBSIDY THE UK GOVERNMENT CONVEYED ITS DIFFICULTIES TO THE IRISH GOVERNMENT.

5. IN THE ENSUING EXCHANGES THE BRITISH SIDE MADE IT CLEAR THAT THEIR REASSESSMENT OF THE PROJECT DID NOT ALLOW IT TO BE VIABLE

1

CONFIDENTIAL

pa
ans
20/8

CONFIDENTIAL

39740 - 1

IN THE TERMS WHICH HAD ALWAYS BEEN INTENDED. THE IRISH GOVERNMENT COULD SEE NO JUSTIFICATION FOR ANY CHANGE IN THE TERMS OF THE MEMORANDUM WHICH WOULD HAVE PREVENTED IT MEETING IT CLEAR OBJECTIVE OF OBTAINING AN ECONOMIC PRICE FOR A VALUABLE NATURAL RESOURCE.

6. BOTH GOVERNMENTS DEEPLY REGRET THAT IN THE LIGHT OF THE SITUATION FACING THEM THE PROJECT CANNOT NOW PROCEED. IT IS PARTICULARLY REGRETTABLE THAT AFTER THE MAJOR EFFORT PUT INTO IT AND WITH BOTH SIDES ACTING REASONABLY AND IN GOOD FAITH A POSITION OF MUTUAL BENEFIT WAS NOT AVAILABLE. BOTH GOVERNMENTS HOWEVER, WISH TO MAKE CLEAR THAT THIS DISAPPOINTMENT OVER THE KINSALE PROJECT WILL NOT IN ANY WAY INFLUENCE ADVERSELY THEIR INTENTION TO CO-OPERATE IN PROJECTS WHICH ARE OF MUTUAL BENEFIT IN THE FUTURE.

ENDS

YOUNG

NORTHERN IRELAND

LIMITED

RID
NAD
INFO D
WED
MAED
NEWS D
PUSD
SCU
PS
PS/LADY YOUNG
PS/MR WHITNEY
PS/PUS

MR DEREK THOMAS
SIR W HARDING
MR GOODALL
MR BARRINGTON
MR O'NEILL
MR JENKINS
MR D C THOMAS
BUCKINGHAM PALACE

ADDITIONAL DISTRIBUTION
NORTHERN IRELAND

CONFIDENTIAL