



CCNO
Prime Minister
 Chancellor is also on to point
 about exports.

Treasury Chambers, Parliament Street, SW1P 3AG
 01-233 3000

AT
 15/2

14 February 1984

The Rt. Hon. Peter Walker MBE MP
 Secretary of State for Energy

Stan P...

ms

BGC's NEGOTIATIONS FOR SLEIPNER GAS

You wrote to me on 9 February about the negotiations between BGC and Statoil over Sleipner. I agree with the line you propose to take in public for the time being.

The purchase of Sleipner would represent a potentially massive commitment. But the issues involved would be a great deal simpler if exports of gas from the UKCS were allowed. The question of exports has, as you know, been under examination for a considerable time and, I think it would be helpful if we could look at that before we discuss Sleipner. Peter Rees mentioned the point in his letters to you of 29 December and 2 February. If exports are not allowed, there is a substantial risk that, as with its imported Frigg supplies in the past, BGC will use its access to imported gas from Sleipner to hold down prices to producers on the UKCS at great cost to the Exchequer and to the nation. With Frigg BGC has pursued this policy to the point where, as Deloitte's made clear, it actually sells Frigg gas at a loss.

I am also conscious that the prospective relationship between UK demand for gas and supplies from the UKCS is changing and is a matter of considerable uncertainty. The recent relaxation in BGC's restrictive approach to development on the UKCS has led to an upsurge in activity and a virtual quadrupling of estimated gas reserves in the Southern Basin. When the Sleipner issue comes before us, it will be important to have the forecasts of supply which take this fully into account.

Clearly one possible alternative to Sleipner is the UK's own gas supplies on the UKCS. Before taking any decision we shall also need to be fully informed about the imported alternatives. I believe the Dutch have recently relaxed their opposition to exports, so it would be helpful to know what they, for one, would offer.

Apart from straightforward contracts to purchase gas, we might also look at less conventional possibilities. Given the particular uncertainties about the size of future supplies from the UKCS, it may make sense to take an option on a source of imports. This would give us assurance of availability while enabling a final decision to be delayed until the position on the UKCS supplies became clearer.

In looking at all the alternatives, we will need to know their differing implications in resource and PSBR terms. I suggest that our officials should produce a full and clear note for us on this.

CONFIDENTIAL



I am copying to the Prime Minister, Geoffrey Howe, Norman Tebbit and Sir Robert Armstrong.

NIGEL LAWSON

*Yours
Nigel*



cc DP
To note this
message.

AT
10/12

10 DOWNING STREET

Prime Minister ②

To note that a Steipner deal is nearing completion and will be put to HMG shortly.

If, as is expected, the price is higher than is being offered in the North Sea, this raises two questions

No

(i) does it make sense to pay foreigners more than we offer in the UKCS?

(ii) shouldn't exports be allowed?

AT
9/12

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FCS/84/46

NBPM

AT 13/2

SECRETARY OF STATE FOR ENERGY

Purchase of Sleipner Gas

with AT

1. Thank you for sending me a copy of your letter of 9 February to Nigel Lawson.
2. I welcome the news that BGC and Statoil have identified a commercially acceptable deal and look forward to seeing further details of the terms.
3. I am copying this letter to the Prime Minister, Norman Tebbit and Sir Robert Armstrong.

GEOFFREY HOWE

Foreign and Commonwealth Office

13 February, 1984

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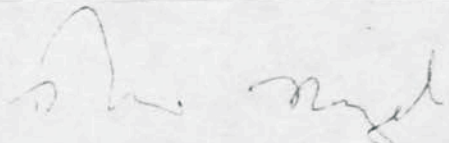
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The Rt Hon Nigel Lawson MP
 The Chancellor of the Exchequer
 Treasury Chambers
 Parliament Street
 London
 SW1

9 February 1984



BGC'S NEGOTIATIONS FOR SLEIPNER GAS

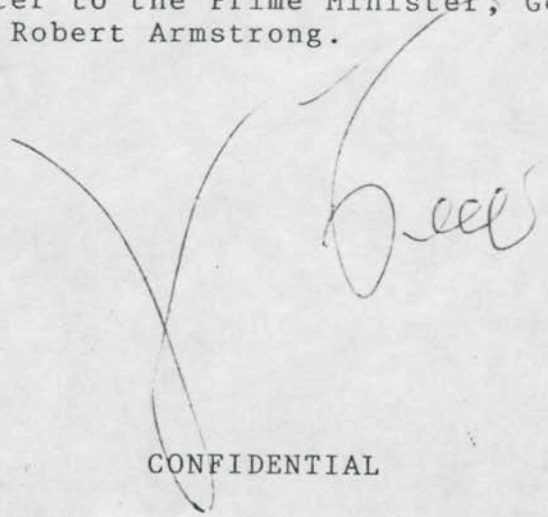
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The negotiations between BGC and Statoil for the purchase of Sleipner gas on the ad referendum basis we agreed last year, have proved to be more protracted than I expected when I last wrote to you on 25 October. However Sir Denis Rooke has now told me that his negotiators have identified a deal with Statoil which both parties find commercially acceptable. Statoil will now put this to their partners and then to the Norwegian Government.

I have put a number of detailed questions to Sir Denis in order to elucidate the deal and he has assured me that he will do his best to reply to these rapidly. My officials are also examining the proposed deal as a matter of urgency and I hope to write further to you and other colleagues shortly with a recommendation on whether what is proposed can be regarded as in the national interest.

News of the proposed deal has not yet broken, but it seems almost certain to do so within a few days, once Statoil's partners have been acquainted with the details. I am proposing that we should as far as possible avoid comment until we have decided whether or not the deal should go ahead. In the meantime, our line will simply be that the proposal is under examination.

I am copying this letter to the Prime Minister, Geoffrey Howe, Norman Tebbit and Sir Robert Armstrong.



PETER WALKER

Nat Ind: Gas + Elec pt. 9.

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