

SECRET

12A

PRIME MINISTER

Although the E(S) meeting is on Wednesday, you might like to look at this folder tonight. First, you have more time tomorrow; second, you will want to try out some of the propositions in the papers when you see Sir Peter Walters at 1630.

You will need to look at Walker's record papers though it is largely a series of debating points.

- (i) Do BP really go as far as to claim that the UK could dispense with imported supplies after 1990?
- (ii) If some imports are required, how do we ensure maximum development of UKCS resources?
- (iii) How do BP assess profitability of UK gas prospects at the prices BGC is offering domestically, e.g., 24p per therm?
- (iv) How should the export regime be specified so as to give maximum confidence to producers while safeguarding future supplies to the UK?

While Sir Peter is in you could ask him about

- (i) his assessment of the Gulf
- (ii) what he would do about BNO.

AF

18 June, 1984.

SECRET

TREASURY DRAFT

I have authorised BGC to enter into contract with Statoil and its partners for the purchase of gas from the Sleipner Field.

This contract will greatly reduce the risk of a major shortfall in supplies of natural gas to BGC to meet the requirements of both industry and the domestic consumer so far as we can now foresee them. BGC will also require substantial further quantities of gas from fields on the UK Continental Shelf.

The Government considers it important to ensure that the purchase of Sleipner gas should not have an adverse impact on future exploration and development activity on the UKCS. The Government has therefore decided to waive the landing requirement for gas on new UKCS developments for as long as proven gas reserves exceed 5 years consumption of gas at existing levels. This will provide proper incentives to companies active on the UKCS while at the same time protecting the UK's own security of supply.