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RECORD OF MEETING BETWEEN THE PRIME MINISTER AND SIR PETER  
WALTERS (BP) ON TUESDAY 19 JUNE AT 1630

Sleipner Gas

Sir Peter Walters came into see the Prime Minister to give her his views on whether the UK should purchase gas from the Sleipner field. He was concerned at the advice which it appeared Ministers were receiving. When BGC's monopsony was broken, BGC began to offer significantly improved prices for UKCS gas - around 18p for associated gas and around 22p for gas only fields compared with previous offers of around 10p (Sir Peter expected the Sleipner offer to be around 27p). This had released a new spate of activity. BP had found four small fields off Yorkshire which together had reserves of 2½tcf and on a neighbouring block CONOCO had discovered reserves of a similar size. Undoubtedly other developments would follow.

Sir Peter said that BGC were anxious about security of supply for the UK in the 1990s when there appeared to be a shortfall between demand and known reserves of about 9tcf. Purchase of Sleipner, accounting for around 7tcf, would substantially meet that gap, leaving only a small amount of additional gas to be found on the UKCS. The Sleipner contract would cost £20 billion in foreign exchange over 15 years. Compared with seeking this gas from the UKCS, there would be a loss of revenue to the Exchequer, a loss of jobs and a loss of opportunities for the offshore industry. Supplies for UKCS developments had a British content of 70-75% while British firms would probably secure only 15% of supplies for the development of the Sleipner field.

Sir Peter was confident that the 9tcf shortfall in the 1990s could be met from domestic resources as he estimated that UKCS gas reserves were 20-25tcf. The only doubt was

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whether all the necessary gas could be developed in time to meet demand in the early or mid 1990s. He felt this risk was acceptable as even if it couldn't it would still not be too late to secure imported supplies.

Sir Peter said Ministers were being offered a "siren solution" of accepting the Sleipner contract while allowing exports of UKCS gas. While this appeared to satisfy all parties he did not believe it provided a good incentive for the development of domestic resources. The outlook for gas supplies in Europe had changed radically in recent months. In particular the Netherlands had upgraded the reserves on the Groningen field by 25% from 54 to 67tcf. This represented no less than one third of the 35tcf which the Continent would need by the end of the century. UK producers would thus find themselves excluded from a large part of the UK market by Sleipner while being forced to export into a plentiful market.

The Prime Minister thanked Sir Peter for his views which she would keep in mind during the forthcoming discussions on Sleipner.

20 June 1984