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file



bc: John Redwood

10 DOWNING STREET

From the Private Secretary

ES  
 LPOV ✓ CDLO ✓  
 FCO ✓ DLM ✓  
 17 September 1984  
 Hunt ✓ +SO ✓  
 DTI ✓ CO ✓

SLEIPNER GAS

Following the meeting of ES on 20 June, the Minister of State at the Department of Energy has been conducting negotiations with the Norwegians to scale down the quantities of gas which would be supplied from the Sleipner field. At the same time your Department has been considering the form of an export licensing regime which would allow exports of gas while preserving security of supply. The Prime Minister hopes that both these issues will soon be brought back to colleagues.

The Prime Minister has commented that there have recently been a number of favourable reports of gas finds on the UKCS. When the Sleipner issue is brought back to ES, she would be grateful if the paper could include a reassessment of UK reserves in the light of these developments and an appraisal of the implications of this for policy on gas imports.

I am sending copies of this letter to the Private Secretaries to the members of ES, to John Graham (Scottish Office) and Richard Hatfield (Cabinet Office).

Andrew Turnbull

Michael Reidy, Esq.,  
Department of Energy.

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10 DOWNING STREET

From the Private Secretary

Prime Minister ①

The Chancellor raised the issue of gas reserves with you. Agree I put the points at X to N Walker?

On gas privatisation, I can understand why N Walker has not made much progress, given his other preoccupations. Agree nevertheless that I chase him up on this?

Not reviewed - ok

least until we see

how the 'Coal' situation

is going

on.

AT

14/9

TD  
Paine Monetti ①  
The Chancellor raised  
this with you.

CONFIDENTIAL

MR TURNBULL

14 September 1984

NORTH SEA GAS RESERVES

In recent months there have been several public announcements of new gas finds.

BGC have announced the first commercial discovery of gas off the South coast of England and have also announced a significant gas field West of Shetland. The latter is the first important gas discovery in this area. Fields have also been announced by Ultramar and Zapex in the Southern basin and by Conoco in the Northern basin of the North Sea.

In addition, BP have discovered a significant field in the Northern basin, although this information is still commercially confidential. We also think that Mobil, Shell and Esso are sitting on gas fields which they have not yet announced.

BP have also recently reassessed their estimate of UKCS reserves in light of this activity. This shows significant increases in both the discovered, but undeveloped, and the yet to be discovered in mature areas categories.

The increase reflects the industry's exploration success in the past year and improvements in appraisal drilling techniques, particularly in the Southern North

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Sea. All of this has been stimulated by the increased prices offered by BGC although these do not compare with the price we are proposing to pay for Sleipner.

These developments have strengthened BP's view that the import of Sleipner gas is not necessary. It is, of course, in their commercial interests to oppose Sleipner and the Department of Energy are suspicious of these latest estimates. Nevertheless, there do seem to be significant grounds for re-opening the question of whether we need Sleipner at all.

Conclusion

We recommend that the Department of Energy should be asked to comment:

- on whether the recent announcements of gas fields in the North Sea have changed the reserve estimates upon which the case for Sleipner rests;
- on the progress of the Sleipner negotiations.

Peter Walker should also be pressed to bring forward his proposals on gas privatisation. The Prime Minister's last meeting on this subject asked for a report by the end of July.

DUP  
DAVID PASCALL

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