

MR TURNBULL

4 December 1984

GAS PRIVATISATION

Peter Walker's attitude to the Gas Board is to let sleeping dogs lie.

By doing so, he is throwing away a unique opportunity to improve the service to the customer, to increase competition in a core industry, to encourage more offshore and onshore UK exploration and development for gas, and to raise cash for the state through asset sales - to say nothing of forgoing the opportunity to widen share ownership and make more employees part owners of their business.

Previous meetings rejected privatising wholesale. Peter Walker's filibuster is succeeding; the whole policy is driven by the towering personality of Sir Dennis Rooke, who disagrees with almost everything this Government stands for.

In the privatisation of gas showrooms, there is no need for BGC to remain the owner of the sites. They can negotiate perfectly satisfactory agency arrangements with new owners, or alternatively could make agency arrangements with other retailers. Service and contracting should be included in these proposals.

BGC's offshore gas assets are very similar to their oil assets. If joint venture means introducing a substantial proportion of private equity into assets that BGC already owns and has developed, then two cheers for that. If it means a very cautious embarking on new ventures, using part private capital, then nationalisation of the offshore gas industry carries on, but at a slightly slower pace.

Tactically, it would be best to welcome Peter Walker's effort, and to ask him to prepare proposals to sell off significant chunks of BGC's existing gas assets. Rough and Morecambe would need slightly different contractual arrangements before sale.

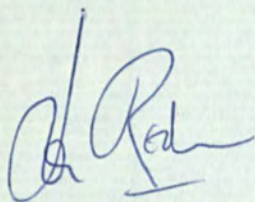
Disposals of producing gas interests would only raise prices to the customer if the contracts for sale of gas to BGC permitted, and if the tax régime was such that higher prices were required. What we should be trying to do is to create a range of competing suppliers of gas to establish a market price to BGC - a price that is available to UK producers as well as to Norwegians. Waiting for Sleipner is yet another part of the delaying tactics.

### Conclusion

This matter now needs bringing to E(A) and a decision taking quickly. Gas privatisation is delaying electricity, as it was always agreed gas would be taken first. On the current

timetable, we are going to see the whole Parliament elapse with practically nothing being achieved for either of the major energy industries.

There is just enough in Peter Walker's paper to be able to ask him to prepare proposals, stretching his intention as suggested above.

A handwritten signature in blue ink, appearing to read 'John Redwood', written in a cursive style.

JOHN REDWOOD