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PRIME MINISTER (1)

Sleipner

Mr. Walker seeks early agreement to his proposal not to proceed with the Sleipner purchase. FCO and Treasury are likely to agree. FCO will probably minute on Monday offering advice on how to handle the disengagement from Norway.

Treasury will argue:-

- (i) that BGC need be in no hurry to sign up other imported supplies but should shop around.
- (ii) that Treasury have not been given adequate time to consider the arguments on the export regime. They will point out that the Law Officers' advice was on the assumption that Sleipner would be purchased which is no longer proposed. Would their advice be any different in present circumstances?

It is important to get the Sleipner announcement out of the way quickly. This will put an end to uncertainty and allow all parties to start thinking and planning on new assumptions. But we do not want to delay the announcement while further argument goes on about the export regime. Mr. Walker, on the other hand, needs to have a line as he will certainly be asked about exports when the announcement is made.

One way forward would be a holding reply along the following lines:-

"The Government has taken no decisions on whether to change the regime for exports but will, of course, keep the matter under review in the light of how the market for gas develops following this decision on Sleipner."

Treasury and other Departments can then argue at some length.

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Agree:-

- (i) We do not proceed with Sleipner? *Yes*
- (ii) BGC be in no hurry to find alternative imports? *Yes - but*
- (iii) Mr. Walker gives a holding reply on exports? *Holland is the obvious one and they have some capacity if needed*
- (iv) That you await FCO advice on the diplomatic handling of the decision? *Yes*

*Yes - but not too long.
The announcement should
be early next week
or it will look
not*

AF

1 February 1985