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10 DOWNING STREET

From the Private Secretary

5 February 1985

Dear Michael

Sleipner

The Prime Minister has seen your Secretary of State's minute of 31 January and the comments from the Foreign Secretary and the Chancellor of the Exchequer. She agrees that it is right not to proceed with the present Sleipner purchase. She is concerned, however, with the recommendation that BGC should be instructed to open negotiations immediately with potential suppliers of gas. There appears to be no reason for BGC to rush into signing up new supplies and its attitude should be more one of "shopping around". BGC should then be asked to present a number of options to Ministers.

The Prime Minister hopes that the decision on Sleipner can be announced as soon as possible. She feels, however, that more time is needed for departments to consider the arguments your Secretary of State has put forward on a controlled gas regime. She does not wish the announcement to be delayed while this is going on and has suggested, therefore, that when your Secretary of State makes the announcement he should, if pressed, give a holding reply along the lines that the Government has at present no plans to change the gas export regime but that it will consider this issue in the light of the way the gas market develops following the Sleipner decision.

The Prime Minister has noted the advice given by the Foreign Secretary and agrees that our relations with Norway need to be handled carefully.

I am copying this letter to Peter Ricketts (Foreign and Commonwealth Office), Rachel Lomax (HM Treasury), Callum McCarthy (Department of Trade and Industry) and Richard Hatfield (Cabinet Office).

Yours sincerely
Andrew Turnbull

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Michael Reidy, Esq.,
Department of Energy.

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