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10 DOWNING STREET

From the Private Secretary

8 February 1985

Dear Michael.

SLEIPNER

The Prime Minister has seen your Secretary of State's minute of 7 February. She is content with the draft statement and content that it should be issued on Monday if arrangements can be made to inform the Norwegians beforehand of the decision.

The Prime Minister hopes that Departments can quickly come to agreed conclusions on the export regime.

I am sending copies of this letter to the Private Secretaries to the Lord President, the Secretary of State for Foreign and Commonwealth Affairs, the Chancellor of the Exchequer, the Lord Privy Seal, the Secretary of State for Trade and Industry, the Parliamentary Secretary (Treasury), the Captain of the Gentlemen-at-Arms and the Secretary to the Cabinet.

Yours sincerely
Andrew Turnbull

Andrew Turnbull

Michael Reidy, Esq.,
Department of Energy.

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Prime Minister (1)

Yes (i) Content with draft statement?
(ii) Agree Depts be urged to get on with examination of Mr Walker's proposals on exports?

Yes

AT 7/2

PRIME MINISTER

SLEIPNER

I very much agree with your view that the decision on Sleipner should be announced as soon as possible. I am trying to arrange for Kristiansen, the Norwegian Minister, to come to London next Monday, so that I can tell him what we have decided. I propose to make a statement to the House at the first available opportunity thereafter, preferably on Monday afternoon.

I know that BGC do not intend to enter into any negotiations in the immediate future in respect of their requirements for a smaller quantity of imports. It would be my intention to see that if and when negotiations are required, they are handled in a way which avoids any inter-governmental embarrassment of the type that has occurred on this occasion.

I do not propose to include anything in the statement on the question of future imports, but must of course say that I recognise the statutory supply obligations which the British Gas Corporation has.

Both the Corporation and my Department believe that there will be a need for some future imports as the existing fields from which we import run out of gas. It would therefore be disastrous to mention publicly any active consideration of a controlled export regime, particularly as the Attorney General has drawn attention to the considerable legal problems involved. If the question is raised in supplementaries following my statement I will therefore give a holding reply along the lines you suggest.

I attach a draft of the statement which, in view of the urgency, I should be grateful for clearance by you and colleagues by lunchtime on Friday. I believe that this draft statement will be acceptable to the Norwegians, who are concerned that our decision should be based on our own national considerations and not on the positions adopted by them in the inter-governmental negotiations.

I am sending copies of this minute to the Lord President of the Council, the Secretary of State for Foreign and Commonwealth Affairs, the Chancellor of the Exchequer, the Lord Privy Seal, the Secretary of State for Trade and Industry, the Parliamentary Secretary (Treasury), the Captain of the Gentlemen-at-Arms and the Secretary to the Cabinet.

SECRETARY OF STATE FOR ENERGY

7 February 1985

SLEIPNER: DRAFT ANNOUNCEMENT OF GOVERNMENT DECISION

With permission, Mr Speaker, I wish to make a statement on the proposed purchase of gas from the Norwegian Sleipner field. As the House is aware, major negotiations have been in progress for some time between the British Gas Corporation and the licensees of this gas field, which has reserves of some 7 trillion cubic feet, for supply of gas to the British market. Any deal resulting from the negotiations required the endorsement of Her Majesty's Government and I had made this clear to the parties concerned.

The British Gas Corporation approached me during 1984 with the terms of a provisional agreement under which delivery of gas would start in the early 1990s, reaching a plateau in the mid-1990s at a rate which would be sufficient to meet up to 30 per cent of UK requirements and continuing at that level well into the 21st century. The Government immediately examined the details of the contract from the point of view of the broader national interest and thereafter entered into discussions with the Norwegian Government. We explained to the Norwegians that at the rate of delivery proposed, there was a serious risk that prospective development of gasfields on the United Kingdom Continental Shelf would be held up. We accordingly sought agreement that the rate of delivery provided for in the draft contract should be reduced. Discussions with the Norwegians on this and other matters continued throughout the remainder of 1984 and good progress was made.

The Government has now reviewed the proposed puchase in the light of the situation which has developed during the period of these discussions. In particular the Government has been impressed by the results of the recent record levels of exploration and appraisal activity. As a result the estimates of proven and probable gas reserves remaining in the United Kingdom Continental Shelf, as shown in the Brown Book published in April 1984, have increased by 6.4 trillion cubic feet. As a consequence the Government has concluded that it will no longer be necessary to import gas in the 1990s on the scale anticipated even last summer. Accordingly the Government has decided not to endorse the draft

contract negotiated by the British Gas Corporation for the purchase of gas from the Sleipner field. The Norwegian Government and the British Gas Corporation have been informed of this decision. We recognise that the Government's decision will cause disappointment to our Norwegian friends. I emphasise that we shall continue to value the relationship which has developed between our two countries through our common interest in oil and gas matters.

The Government welcomes the fact that current and prospective developments on the United Kingdom Continental Shelf now seem likely to provide sufficient gas to meet the needs of the British market well into the 1990s. However, it recognises that the British Gas Corporation has clear obligations in regard to the security of gas supply. The Government, in consultation with the Corporation, will therefore keep under review the likely availability of supplies to meet demand in the coming decades.

The improved prospects for the development of our own offshore gasfields over the next few years will have important and welcome implications for the generation of additional orders and employment in the offshore supplies industry as well as reducing expenditure on imports in the 1990s.

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