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10 DOWNING STREET

From the Principal Private Secretary

12 September 1985

NORTH SEA GAS PRICES AND JOBS

When the Prime Minister was in Aberdeen and North East England earlier this week, it was strongly represented to her, by representatives of the offshore construction industry, that continuity of employment in their industry required, among other things, early development of more North Sea gas fields. Certainly, some gas developments were going ahead, but many others were, according to the representatives of the offshore industry, inhibited by BGC's reluctance to pay "2 or 3p extra" for gas prices. It was suggested that BGC were, in general, offering prices of 23-24p while projects needed, say, 25-26p to go ahead.

The Prime Minister attaches, for obvious reasons, considerable importance to sustaining and creating new jobs in Scotland and in the North East offshore construction industry and she therefore would like to write to Sir Denis Rooke urging him to give full weight to the new "jobs" which will flow from the satisfactory conclusion of agreements between BGC and the oil companies leading to the development of new gas fields. I should be grateful if you could provide for the Prime Minister a suitable draft.

More generally, it was suggested to the Prime Minister that development of the North Sea gas fields would be speeded if gas exports were permitted. The Prime Minister would be interested in a note of the current state of play on this issue.

I am sending a copy of this letter to Rachel Lomax (H.M. Treasury), John Graham (Scottish Office) and John Mogg (Department of Trade and Industry).

Geoff Dart, Esq.,
Department of Energy.

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