

GRS 680
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FM LAGOS 190920Z OCT 84

TO IMMEDIATE FCO

TELNO 913 OF 19 OCT

INFO PRIORITY JEDDA, RIYADH, KUWAIT, DOHA, ABU DHABI, MUSCAT, JAKARTA, BIS TEHRAN, CARACAS, BAGHDAD, ALGIERS, QUITO, MEXICO CITY, BAHRAIN, DUBAI, WASHINGTON, PARIS, UKDEL OECD, UKREP BRUSSELS.

ROUTINE BONN, ROME, LUXEMBOURG, ATHENS, OTTAWA, CAIRO, DUBLIN, THE HAGUE, TOKYO, OSLO.

SAVING TO TRIPOLI, LIBREVILLE.

TELECON WORDSWORTH/RESIDENT CLERK AND MY TELNO 904 (NOT TO ALL):

NIGERIAN PRICE CUT

SUMMARY

1. PRICE OF NIGERIAN LIGHT CRUDES REDUCED BY DOLLARS 2 PER BARREL. SMALLER PRICE CUTS FOR HEAVIER CRUDES. APPARENTLY A SNAP DECISION, WITH LITTLE CONSULTATION WITH OPEC. NO HOSTILITY TOWARDS UK SO FAR.

DETAIL

2. IN A PRESS CONFERENCE ON 18 OCTOBER THE NIGERIAN MINISTER OF PETROLEUM AND ENERGY, PROFESSOR TAM DAVID-WEST, ANNOUNCED THAT THE PRICE OF NIGERIAN BONNY LIGHT CRUDE IS TO BE REDUCED BY 2 DOLLARS PER BARREL WITH IMMEDIATE EFFECT. SIMILAR REDUCTIONS HAVE ALSO BEEN INTRODUCED FOR OTHER LIGHT CRUDES. THE PRICE OF THE HEAVIER FORCADOS IS REDUCED BY DOLLARS 1.50 PER BARREL: BONNY MEDIUM BY 1 DOLLAR.

3. NEW PRICES ARE AS FOLLOWS (OLD PRICES IN BRACKETS):

BONNY LIGHT	28	(30)
BRASS BLEND	28	(30)
QUA IBOE LIGHT	27.95	(29.95)
ESCRAVOS LIGHT	27.90	(29.85)
PENNINGTON LIGHT	27.90	(29.85)
FORCADOS BLEND	27.50	(29)
BONNY MEDIUM	27	(28)

4. REDUCING PRICES NOW, RATHER THAN WAITING FOR THE 29 OCTOBER OPEC MEETING, APPEARS TO HAVE BEEN A SNAP DECISION, POSSIBLY REFLECTING DISCUSSIONS AT THE REGULAR THURSDAY MEETING OF THE MINISTERIAL FEDERAL EXECUTIVE COUNCIL. DAVID-WEST CLEARLY IMPLIED TO ME ON THE EVENING OF 17 OCTOBER (MY TELNO 904) THAT NIGERIA WOULD TRY TO HOLD BACK FROM ANY UNILATERAL PRICE CUT, AND WAIT FOR COLLECTIVE OPEC ACTION. THE PUBLIC AFFAIRS MANAGER OF NNPC APPARENTLY GAVE THE SAME INDICATION TO A LOCAL NEWSPAPER ON THE MORNING OF 18 OCTOBER, SAYING THAT NIGERIA WAS NOT LIKELY TO TAKE ANY PRECIPITATE ACTION.

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Summary only.

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5. AT HIS PRESS CONFERENCE, DAVID-WEST INDICATED THAT NIGERIA HAD FOREWARNED OTHER OPEC COUNTRIES OF ITS MOVE. HE INDICATED, HOWEVER, THAT THERE HAD BEEN LITTLE, IF ANY, REAL CONSULTATION, SAYING THAT WHILE NIGERIA WAS ALWAYS PREPARED TO HONOUR ITS COMMITMENTS TO OPEC, "WE ARE ALSO CONSCIOUS OF OUR RESPONSIBILITIES TO OUR PEOPLE NIGERIA HAS ALWAYS RESISTED TO ACT (SIC) IN DESPERATION DESPITE THE HARSH ECONOMIC PROBLEMS WE FACE OBVIOUSLY THERE IS A LIMIT TO SUCH SACRIFICE". HE HOPED THAT OPEC "WILL UNDERSTAND OUR PRESENT ACTION, CONSIDERING THE SUDDEN TURN OF EVENTS WHICH HAS COMPELLED US TO ACT IMMEDIATELY IN THE INTEREST OF OUR PEOPLE".

6. LOCAL PRESS COVERAGE HAS SO FAR CONSISTENTLY MADE CLEAR THAT BNOG'S PRICE CUT WAS IN RESPONSE TO THE NORWEGIAN MOVE. THERE HAS BEEN NO HOSTILE COMMENT DIRECTED AT THE UK. A PERSONAL LETTER FROM DAVID-WEST, IN RESPONSE TO MINE TO HIM OF 18 OCTOBER (TUR REFERS), WAS DELIVERED TO THE HOUSE THAT SAME EVENING (COPY BY BAG). IT REFERRED IN WARM TERMS TO OUR EARLIER TELEPHONE CONVERSATION, AND SAID THAT, FOLLOWING LONG DISCUSSIONS WITH HIS EXPERTS, "CERTAIN DECISIONS HAVE BEEN TAKEN", DETAILS OF WHICH WOULD BE RELEASED AT THE PRESS CONFERENCE. THE LETTER SAID THAT HE WAS GIVING ME ADVANCE WARNING IN "THE SPIRIT OF OUR MUTUAL UNDERSTANDING ON OUR COMMODITY: OIL".

7. IN ANSWER TO A QUESTION AT HIS PRESS CONFERENCE, DAVID-WEST REVEALED THAT HE HAD BEEN INFORMED OF BNOG'S PRICE CUT BY ME BEFORE IT WAS ANNOUNCED.

8. THE LOCAL MD OF SHELL HAS TOLD US THAT HE WAS EXPECTING A PRICE CUT. BUT HE THOUGHT THAT THE NIGERIANS' MOVE WENT TOO FAR AND COULD ONLY PUT THIS DOWN TO NIGERIAN "JUMPINESS" ON THIS ISSUE.

FCO PLEASE PASS SAVING ADDRESSEES.

(REPEATED AS REQUESTED)

WYATT

[OIL]

STANDARD (PALACE)

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ESID	WED
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NENAD	MR EGERTON
S AM D	

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