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SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
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01 211 6402

Andrew Turnbull Esq
Private Secretary to the
Prime Minister
10 Downing Street
London
SW1

29 October 1984

Dear Madam

BNOC: OIL PRICES

Thank you for your letter of 17 October.

My Secretary of State will certainly be reviewing the whole oil scene in the light of the outcome of today's OPEC meeting. At the moment it does look as if the action we have taken on North Sea oil prices has pushed OPEC towards putting their own house in order, which is in the present circumstances the only way a sharp fall in the market is likely to be avoided. The prospect that OPEC will try to do this has helped the market. Our move seems also to be leading to more realistic differentials between light and heavy oil, inside OPEC as well as outside it.

As to BNOC, it was of course as recently as 1 August, following extensive consultation between interested Departments, that my Secretary of State announced on behalf of the Government its conclusion that BNOC ought to be retained - "the Corporation has made an effective contribution, which I wish to continue, to ensuring that the nation derives full benefit from the exploitation of oil from the United Kingdom Continental Shelf". My Secretary of State would see some risk to the Government's reputation for consistency and stability of policy if there were to be an early announcement that the 1 August decision had been reversed. And the actions taken through BNOC in 1983 and 1984 appear to have served UK interests well. But my Secretary of State will certainly keep the whole field under close review.

I am copying this letter to David Peretz, Peter Ricketts, and Callum McCarthy.

Tom Viner
M F Reidy

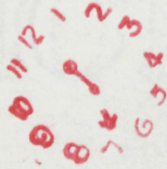
M F REIDY
Private Secretary

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Energy: North Sea Oil Prices Pt 2.



30 OCT 1984



File



10 DOWNING STREET

From the Private Secretary

17 October 1984

Dear Michael,

BNOC: OIL PRICES

The Prime Minister has seen your Secretary of State's letter to the Chancellor of 17 October proposing that BNOC should cut the price of its crudes by \$1.35-1.50 per barrel (you indicated subsequently that the proposed cut would be at the bottom end of this range). The Prime Minister is content with this.

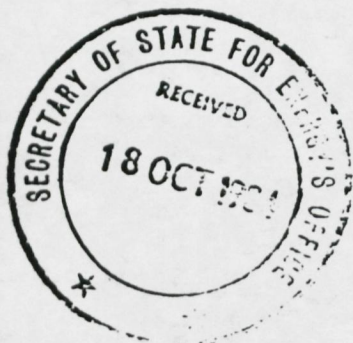
She has commented, however, that the continued existence of BNOC has, on a number of occasions recently, put the spotlight on the Government and forced it into the position of having to take difficult decisions on oil prices. It was agreed in correspondence last June that the future of BNOC should be reviewed in about two years's time. The Prime Minister considers that, in the light of recent developments, this question should be re-opened now to see whether the the difficulties for the Government generated by BNOC's existence are outweighed by the benefits it brings.

I am copying this letter to David Peretz (HM Treasury), Peter Ricketts (Foreign and Commonwealth Office) and Callum McCarthy (Department of Trade and Industry).

Yours sincerely

Andrew Turnbull

ANDREW TURNBULL



Michael Reidy, Esq.,
Department of Energy.