

NBPM
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Pine Murks: (

Peter Walker

(letter attached) is the
reply to earlier comments.

9 November 1984

Do you
think that it is worth
returning to the charge
as the PSW but
papers

MR TURNBULL

Me
BNO

BNO

Peter Walker's reply to your letter of 17 October defends
the status quo on grounds of consistency. Following the
recent oil price shake-up his Department believe that BNO is
set to return from bankruptcy to a satisfactory trading
operation.

The oil market is likely to remain weak and over-supplied
for at least the next year or two. Also, the changing
structure of the market makes it more prone to volatility. In
these circumstances, if BNO continues to intervene between
producers and oil buyers, it stands to cost the Exchequer tens
of millions of pounds per year and perhaps more.

Against this, it is difficult to set any worthwhile
benefits which cannot be achieved as easily without BNO. The
price stabilisation argument is no longer sustainable. Taking
royalty in oil rather than cash is worth around £30 million
per year to the Government. The oil companies would as soon
keep the oil, pay cash and let the Government continue to
realise this benefit.

The political flack in dismantling BNO will come from
the question of oil supply security in a crisis. In such
circumstances, BNO would probably be impeded by its term
contracts with overseas buyers. At best, its contribution

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would represent belt and braces. Firstly, we would be covered by the IEA oil sharing arrangements, and behind those we have emergency powers under the Energy Act.

Is it not time to wind up this whole operation, save the money and get us out of the difficulty of trying to second-guess unpredictable oil markets? We should not be fobbed off by Energy's unwillingness to confront the need for change in face of new circumstances.

JW

JOHN WYBREW

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