



10 DOWNING STREET

From the Private Secretary

Prime Minister ①

BNOC Prices

One way through this is a minute
saying

(i) BNOC losses cannot be allowed
to continue

(ii) no action before OPEC meeting

but (iii) action must be taken, to take
effect no later than 1 January,
to get BNOC out of its loss
making position

with (iv) a careful presentation of our
actions as suggested by
Foreign Secretary

Agree? Yes ✓
ms

AT

17/12

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FILE

SHRAX

bcc: J. Wybrew



10 DOWNING STREET

From the Private Secretary

17 December, 1984

BNOC: Oil Prices

The Prime Minister has seen the Chancellor's letter to your Secretary of State of 11 December, his reply of 14 December and the Foreign Secretary's minute of 14 December.

The Prime Minister believes that BNOC cannot be allowed to remain in a position where it is exposed to very large losses and that some change to the way it conducts its operations is therefore required. Nevertheless, she recognises the force of the arguments against announcing any changes before this week's OPEC meeting.

As soon as the outcome of the meeting is known, the Prime Minister wishes action to be taken, preferably in time to take effect from 1 January, to modify BNOC's pricing system. She agrees with the Foreign Secretary that careful presentation of such a change will be required.

I am copying this letter to David Peretz (Treasury), Len Appleyard (Foreign and Commonwealth Office) and Richard Hatfield (Cabinet Office).

ANDREW TURNBULL

Michael Reid, Esq.,
Department of Energy

JB.

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ENO.

SECRETARY OF STATE FOR ENERGY

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Andrew Turnbull Esq
Private Secretary to
The Prime Minister
10 Downing Street
LONDON SW1

OR
21/12

Z/ December 1984

Dear Andrew

BNOC PRICES

-Attached

Thank you for your letter of 17 December to Michael Reidy.

After consultations between my Secretary of State, the Chancellor and the Foreign Secretary, BNOC are sending the attached telegram to their suppliers this afternoon.

I am copying this letter to Len Appleyard (FCO) and David Peretz (Treasury).

Yours ever

John

J S NEILSON
Private Secretary

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BNOC's telex to suppliers:

In view of the present uncertainties in world oil markets, we consider it inappropriate at this time to make proposals for the prices to be paid to you as from 1 January 1985. While we cannot in the circumstances undertake to maintain the present prices beyond December 31, we look forward to beginning discussions on pricing arrangements to apply effective 1 January with you as soon as possible.