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PRIME MINISTER

BNOC

Next Tuesday's money figures are close to what was indicated by the first guess. The Treasury hope they will be seen by the markets as good enough to improve market sentiment at least for a while. They believe, therefore, that there will be a window which should be taken advantage of to push through difficult decisions on BNOC.

When this issue was put to you before Christmas, you said you did not wish to see any action before the OPEC meeting on 19 December but that action should be taken as soon as possible thereafter - if possible, by 1 January. In the event, OPEC failed to reach agreement and meet again on 18 January. Meanwhile, the oil market has weakened further, at least when measured in dollar terms, though this may reflect the recent appreciation of the dollar. BNOC has written to its customers indicating that it will set prices for the quarter from 1 January respectively, thereby keeping its options open.

who's duty? ✓

The Treasury want to put an end to uncertainty by an early announcement that BNOC will adopt a formula relating its prices to market prices. They doubt whether the next OPEC meeting will be conclusive; even if there is an agreement, there will be doubts about whether it can be implemented. Mr. Walker attaches significance to the threats being issued by Sheikh Yamani and is nervous about action by BNOC ahead of the OPEC meeting. He will therefore be playing for time.

*Agreed
not*

Probably the only way forward is for you to have a meeting for the two of them in the second half of next week.

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You may like to discuss this with the Chancellor at Chequers on Sunday evening.

AT

ANDREW TURNBULL

4 January 1985

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