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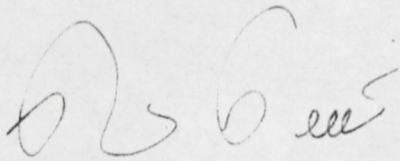
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The Rt Hon Peter Rees QC MP
 Chief Secretary
 HM Treasury
 Parliament Street
 LONDON
 SW1P 3AG

13 February 1985



BNOC PRICES AND FINANCES

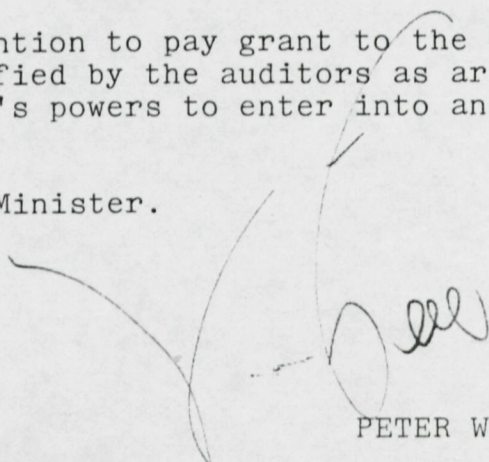
Following our decisions last Friday, my officials have been discussing with yours the size of the provision needed in the late Spring Supplementaries. I understand that they have agreed that £25 million or thereabouts will be needed to restore BNOC's reserves to an appropriate level at the end of February providing these reserves are not affected by any provision to cover losses made on oil lifted in March but sold earlier. Such losses cannot, of course, be established until a decision is made on March prices.

Our next opportunity to obtain further provision to fund BNOC, should it be needed is, I understand, not until July/August when the Main 1985/86 Estimates and the Summer Supplementaries fall to be approved. It is not impossible that BNOC will continue to make losses beyond the end of February as a result of our future decisions and that these losses will exhaust its reserves. I understand that in such an event, moneys would have to be advanced out of the Contingencies Fund to avoid BNOC having to renege on its commitment.

On the understanding that you would agree that recourse should be had to the Contingencies Fund in the circumstances described above, I am content to seek provision of £25 million by way of a Late Spring Supplementary. I hope that it would be possible for minor adjustment to be made over the next week or two as BNOC's estimates of its January and February losses firm up.

It would, of course, be my intention to pay grant to the Corporation only in respect of losses certified by the auditors as arising from the exercise of the Corporation's powers to enter into and give effect to participation agreements.

I am copying this to the Prime Minister.



PETER WALKER

13 FEB 1985

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Treasury Chambers, Parliament Street, SW1P 3AG
 Rt Hon Peter Walker MBE MP
 Secretary of State for Energy
 Department of Energy
 Thames House South
 Millbank
 London
 SW1P 4QJ

15^{n.} February 1985

Alan H.W.

BNO C PRICES AND FINANCES

Thank you for your letter of 13 February.

The letter of assurance given to Lord Croham does not of course commit us to reimbursing BNO C in March for any losses it may make during the month. There are special difficulties about using the Contingencies Fund across the year-end, as this would require. But subject to this timing point, I agree that if future pricing decisions meant that BNO C exhausted its reserves once again, we would no doubt have to find some means of providing it with funds so that it did not renege on its commitments. It is however premature to decide now how we would do this.

I very much hope that some way can be found to prevent further losses being made in view of the difficulties we face on the public expenditure front.

I understand that the last date that the £25 million late Spring Supplementary provision can be amended is Tuesday 20 February as a PQ would need to be answered by that date announcing the consequential increase in the cash limit of Class IV, Vote 5. If your officials can justify changes to mine by that date as a result of firmer figures on BNO C losses being available I would not object to a change being made.

I am copying this letter to the Prime Minister.

Peter Rees

PETER REES

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Energy: ~~Oil~~ Oil Prices Pt 2.

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