

CONFIDENTIAL
FROM THE HAGUE
TO DESKBY 301830Z FCO
TELNO 072

→ Charles Powell

(No.10)

OF 301740Z JANUARY 86
AND TO IMMEDIATE DEPARTMENT OF ENERGY
INFO IMMEDIATE UKREP BRUSSELS
INFO ROUTINE ALL EC POSTS

Prime Minister
We think this is one
of the problems which

TELECON BUDD/PAUL: DUTCH CONCERN ABOUT THE WORLD OIL MARKET

Mr. Lubbers wants to
discuss with you on the
telephone tomorrow.

SUMMARY

1. THE NETHERLANDS GOVERNMENT IS GREATLY CONCERNED ABOUT THE IMPLICATIONS OF THE FALL IN OIL PRICES. IN ADDITION TO NATIONAL MEASURES TO MEET THE EXPECTED SHORTFALL IN REVENUE, THEY ARE ALSO CONSIDERING WHAT CAN BE DONE AT AN INTERNATIONAL LEVEL, AND POSSIBLY IN AN EC FRAMEWORK TO STABILIZE THE MARKET. THEY MAY WELL RAISE THIS AT THE ENERGY COUNCIL ON 10 FEBRUARY.

cm

DETAIL

2. IN A DEBATE IN THE SECOND CHAMBER ON 28 JANUARY, FOLLOWING AN EMERGENCY CABINET MEETING TO CONSIDER WHAT MEASURES SHOULD BE TAKEN TO COUNTER THE FALL IN GOVERNMENT REVENUE ARISING FROM THE DROP IN OIL PRICES, LUBBERS PROMISED INTER ALIA ACTION BY THE EC. LATER, A GOVERNMENT SPOKESMAN SAID THAT MR VAN AARDENNE, THE MINISTER OF ECONOMIC AFFAIRS, WOULD ADVOCATE ACTION TO ACHIEVE OIL MARKET STABILITY AT THE ENERGY COUNCIL ON 10 FEBRUARY. THE SPOKESMAN COMMENTED: 'IT IS NOT JUST A QUESTION OF TALKS WITHIN THE COMMUNITY ALTHOUGH BRITAIN IS PARTICULARLY IMPORTANT AS A LEADING OIL PRODUCER OUTSIDE OPEC. THERE MAY ALSO BE A ROLE FOR THE COMMUNITY IN BRINGING TOGETHER OPEC AND NON-OPEC PRODUCERS.'

3. WE HAVE SPOKEN TO CONTACTS IN THE PRIME MINISTER'S OFFICE AND THE MINISTRY OF ECONOMIC AFFAIRS TO TRY TO FIND OUT MORE ABOUT LUBBERS' THINKING. BOTH OUR INTERLOCUTORS CLAIMED THAT THE GOVERNMENT HAD NO CONCRETE IDEAS FOR ACTION BY THE EC, BUT THE MEA SPOKESMAN COMMENTED THAT THERE WAS SOME DISAPPOINTMENT IN OFFICIAL CIRCLES THAT THE BRITISH GOVERNMENT, AS A MAJOR OIL PRODUCER, SEEMED UNWILLING TO TALK TO OPEC PRODUCERS ABOUT POSSIBLE MEASURES TO STABILISE THE MARKET.

4. THE NETHERLANDS GOVERNMENT HAVE PARTICULAR CAUSE FOR CONCERN OVER THE FALL IN OIL PRICES. GAS PRICES ARE OF COURSE AFFECTED BY OIL PRICES, AND 15% OF THE GOVERNMENT'S REVENUE IS DERIVED FROM THE SALE OF NATURAL GAS (ABOUT DE123 BILLION IN 1985)

AARDENNE, THE MINISTER OF ECONOMIC AFFAIRS, WOULD ADVOCATE ACTION TO ACHIEVE OIL MARKET STABILITY AT THE ENERGY COUNCIL ON 10 FEBRUARY. THE SPOKESMAN COMMENTED: "IT IS NOT JUST A QUESTION OF TALKS WITHIN THE COMMUNITY ALTHOUGH BRITAIN IS PARTICULARLY IMPORTANT AS A LEADING OIL PRODUCER OUTSIDE OPEC. THERE MAY ALSO BE A ROLE FOR THE COMMUNITY IN BRINGING TOGETHER OPEC AND NON-OPEC PRODUCERS."

3. WE HAVE SPOKEN TO CONTACTS IN THE PRIME MINISTER'S OFFICE AND THE MINISTRY OF ECONOMIC AFFAIRS TO TRY TO FIND OUT MORE ABOUT LUBBERS' THINKING. BOTH OUR INTERLOCUTORS CLAIMED THAT THE GOVERNMENT HAD NO CONCRETE IDEAS FOR ACTION BY THE EC, BUT THE MEA SPOKESMAN COMMENTED THAT THERE WAS SOME DISAPPOINTMENT IN OFFICIAL CIRCLES THAT THE BRITISH GOVERNMENT, AS A MAJOR OIL PRODUCER, SEEMED UNWILLING TO TALK TO OPEC PRODUCERS ABOUT POSSIBLE MEASURES TO STABILISE THE MARKET.

4. THE NETHERLANDS GOVERNMENT HAVE PARTICULAR CAUSE FOR CONCERN OVER THE FALL IN OIL PRICES. GAS PRICES ARE OF COURSE AFFECTED BY OIL PRICES, AND 15% OF THE GOVERNMENT'S REVENUE IS DERIVED FROM THE SALE OF NATURAL GAS (ABOUT DF123 BILLION IN 1985). THE DELAYED IMPACT OF DECLINING SALES THIS YEAR, COMBINED WITH A MAJOR PRICE REDUCTION, COULD CUT 1987 REVENUES BY AS MUCH AS 50%. THE GOVERNMENT IS THEREFORE FACED WITH A DIFFICULT CHOICE, BARELY 4 MONTHS BEFORE THE GENERAL ELECTION, BETWEEN HIGHER TAXATION OR FURTHER GOVERNMENT SPENDING CUTS TO MEET THE SHORTFALL.

MARGETSON