

CJBo

PRIME MINISTER

GAS IMPORTS AND EXPORTS

^{attach}
E(A) on 9 December asked me to consider whether a more liberal gas export regime, compatible with the Treaty of Rome, could be constructed on the basis of United Kingdom Continental Shelf (UKCS) licensees giving British Gas a right of first refusal of gas they wish to export, at the negotiated price.

I have considered carefully ways in which we might meet the second part of this remit, a right of first refusal for BG: Patrick Mayhew has however advised that giving BGC such a right would be likely to be incompatible with the EC Treaty.

I have therefore considered whether a more liberal export regime, compatible both with our EC obligations and with our need to retain control of UKCS strategy, could be constructed in some other way. In the light of legal advice, I have concluded that the best way of doing this is to base an export regime around the concept of security of supply.

I attach accordingly the draft of an announcement dealing with both imports and exports that I would like to make as a PQ answer before the end of the Committee Stage of the Gas Bill on 6 March. This has been cleared with officials in the Treasury, the Foreign and Commonwealth Office, the Department of Trade & Industry, the Cabinet Office and the No 10 Policy Unit.

On imports, BG plc would be able to import gas subject to the normal pipeline consents and to the conclusion of Treaties where appropriate. As we agreed in E(A), I have obtained Denis Rooke's assurance that the new company will consult the Government on its import plans. I intend to ensure that these consultations are full and timely.

On exports, we would consider applications for waivers of the landing requirement on a case-by-case basis, taking into account the need to safeguard the security of the UK's gas supplies. We would make it clear that there was no presumption against exports in present circumstances.



The announcement also makes clear that BG will not discriminate against indigenous gas supplies; and that UKCS gas producers will not be permitted to put the UK's security of supply at risk. My Department will keep a close watch on the position to ensure that abuses do not occur.

I believe that these proposals enable the Government to keep control of UKCS strategy, and preserve our ability to step in if important national interests are at risk. At the same time, they represent a substantial liberalisation compared with the present position on exports (which is that the Government will consider exports at some future date, depending upon the reserves position). As such they will be welcome to many of our supporters. The new position will of course require careful presentation and we will need to confirm where necessary that we regard the policy as being in line with our international (especially EC) obligations.

Patrick Mayhew has confirmed that the draft announcement is acceptable to him.

I am copying this minute to the other members of E(A), Geoffrey Howe, Patrick Mayhew, William Whitelaw and Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to read 'Geoffrey Howe', written in a cursive style.

Secretary of State for Energy
25 February 1986

GAS IMPORTS AND EXPORTS: DRAFT ANNOUNCEMENT

1 I wish to make clear the position on gas imports and exports, and on the development of UKCS gas resources, following the privatisation of the British Gas Corporation.

2 Gas imports and exports can have a major effect on the rate and pattern of the development of UKCS resources, and hence on wider national interest. The Government intend to ensure that this interest is adequately protected and that continuing gas supplies are available to customers in the UK. Substantial gas resources are available, or potentially available, both from the UKCS and from overseas sources to enable the new company to meet the needs of its customers for many years ahead. The company will be able to import gas subject to the normal consent requirement for the laying of pipelines across the UKCS and, in appropriate cases, the conclusion of inter-Governmental treaties. In addition Sir Denis Rooke has assured me that the new gas company will consult the Government regarding its import plans as these develop.

3 There are at present only limited opportunities to sell new gas into Continental markets and access to these markets may add little in the short term to the boost which the Government's policies have already given to UKCS exploration and development. The Government is prepared, nonetheless, to consider applications for waivers of the landing requirement on a case-by-case basis. In doing this, it will take into account considerations relating to the security of the UK's gas supplies, without any presumption that exports should not take place in present circumstances.

4 The Government remains firmly committed to maintaining the pace of UKCS development and intends to ensure, as it has since 1979, that adequate market incentives exist for the exploration, appraisal and development of new gas. There will be no question of the new company discriminating against indigenous gas supplies; or of UKCS gas producers putting at risk the UK's security of supply. The Government will keep close watch on terms of trade between suppliers and the new company and will stand ready to act as necessary.

CONFIDENTIAL - SECURITY INFORMATION





GAS PRIVATISATION

INTERNATIONAL SAFETY COMPARISONS

Line to Take

- Do not believe any conclusions can be drawn from international comparisons of statistics on gas safety about the effect of privatisation of British Gas on gas safety in Britain. In any event do not accept that international statistics support the view that private sector industries are less safe.
- British Gas already has an excellent safety record and we and British Gas' management are determined this will continue after privatisation.
- The Gas Bill now before Parliament will strengthen the safety regime in a number of ways. The broad range of powers available to the Health and Safety Executive will be extended to gas safety matters. We are also tightening up on the requirement to British Gas to deal with escapes of gas - extending it to customers appliances and reducing the maximum response time from 24 to 12 hours.
- There is no justification in the scare stories which have been put around that gas safety will suffer as a consequence of privatisation. There are of course already many other private sector companies such as ICI or BP who deal with equally dangerous substances as gas who also have excellent safety records - and it is a nonsense to suggest that they have paid no attention to safety.
- We believe that with the strengthening of the safety requirement we are putting in place to reinforce British Gas' own commitment to safety, the present trend of increased safety will continue in future to make gas an even safer fuel.



Background Note

International comparisons of gas safety are not relevant to the question of the effect of privatisation on gas safety. Since the level of safety in different countries depends on a number of different factors, eg local regulation of safety, experience of utilities in safety and reaction of emergency services.

2. British Gas has a good safety record according to international comparisons - see attached table. It has the lowest figure for fatalities from explosions of 5 Northern European countries and the middle ranking figure for deaths from carbon monoxide poisoning. The statistics do not support the view that private sector industries are less safe than publicly owned ones.

3. The Gas Bill will reinforce the safety regime in a number of ways:

- gas safety will be brought within the general scope of the Health and Safety at Work Act which will give the HSE wider powers, eg in enforcing the safety regime.
- the specific provisions on dealing with gas escapes have been tightened up creating a new obligation to deal with escapes from customers appliances, and reducing the maximum response time from 24 hours to 12 hours.

CAUSE OF DEATH - International Comparison (Latest Available Year)

Gas Industry ownership

	Public	Publicly owned	Private industry	Public/ Private	Public/ Private
	Great Britain (1982)	France (1978)	West Germany (1982)	Netherlands (1982)	Belgium (1978)
<u>Cause of Death Category and Number of Fatalities</u>					
Total accidental deaths	15,551	36,341	26,578	4,095	5,695
Road transport deaths	6,096	10,964	11,265	1,718	2,462
Accidental poisoning by:					
(a) gas distributed by pipelines	77	12	9	)	34
(b) LPG distributed in mobile containers	6	10	)110	) 22	5
(c) Other Utility gas	17	5	)	)	1
Deaths from accidents caused by explosive material	18	48	61	9	11
Suicides and self-inflicted poisoning by gases in domestic use	6	45	16	5	17
<u>Death Rate Per Million Population</u>					
Total accidental deaths	283.9	682.1	435.7	286.4	578.7
Road transport deaths	111.3	205.8	184.7	120.1	250.4
Accidental poisoning by:					
(a) gas distributed by pipelines	1.4	0.2	0.1	)	3.5
(b) LPG distributed in mobile containers	0.1	0.2	) 1.8	) 1.5	4.1
(c) Other Utility gas	0.3	0.1	)	)	0.1
Deaths from accidents caused by explosive material	0.3	0.9	1.0	0.6	1.1
Suicides and self-inflicted poisoning by gases in domestic use	0.1	0.8	0.3	0.3	1.7
Population (million)	54.8	53.3	61.0	14.3	9.8
Number of domestic gas customers (million)	15.1	8.1	8.3	4.6	1.7
Length of distribution main (000 km)	216	81	111	76	24

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in
oxide
sensing

SOURCE: Mortality Statistics, Office Public Census and Statistics

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SOURCE: Mortality Statistics, Office Public Census and Statistics

Including
Carbon
Monoxide
poisoning



Country (Year)	Length of distribution main (000 km)	Population (million)	Number of domestic gas consumers (million)	Population (million)	Number of domestic gas consumers (million)
Great Britain (1982)	216	54.8	15.1	289.9	111.3
France (1978)	81	53.3	8.1	682.1	202.8
West Germany (1982)	111	61.0	8.3	432.7	184.7
Netherlands (1982)	78	14.3	4.6	286.4	120.1
Belgium (1978)	24	9.8	1.7	278.7	250.4
Deaths from accidents caused by:					
poisoning by gas in domestic use					
suicides and self-inflicted					
explosive material					
Deaths from accidents caused by:					
(c) Other Utility gas					
containers					
(p) LPG distributed in mobile					
(a) gas distributed by pipelines					
Accidental poisoning by:					
Road transport deaths					
Total accidental deaths					
and Number of Fatalities					
Cause of Death Category					

including
Carbon
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