

CONFIDENTIAL

PRIME MINISTER

GAS IMPORTS AND EXPORTS

? You will remember Mr. Walker's reluctance to allow a more liberal gas export regime. He now seems to have changed direction, and proposes to announce tomorrow that the Government would consider applications for waiving a requirement that gas may be landed in the UK, on a case-by-case basis, taking into account the need to safeguard the security of the UK's gas supplies. Mr. Walker would make it clear that there was no presumption against exports in present circumstances.

The reference to the need to safeguard the security of the UK's gas supplies would provide a basis, consistent with our EC obligations, to allow the Government to prevent particular export deals.

On imports, Mr. Walker proposes that BGPLC should be allowed to import gas subject to the normal pipeline consents and to the conclusion of treaties where appropriate. He has been assured by Denis Rooke that the new company will consult the Government on its import plans.

The Solicitor General is content with the announcement, as are the Chancellor of the Exchequer, the Foreign Secretary and the Secretary of State for Trade and Industry. The Policy Unit are also content.

Agree to the proposed announcement subject to any further comments from colleagues who have not so far reacted to the proposal?

Yes mr

DW

DAVID NORGROVE

5 March 1986

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10 DOWNING STREET

5 March 1986

From the Private Secretary

Dear Geoff,

GAS IMPORTS AND EXPORTS

The Prime Minister has seen your Secretary of State's minute of 28 February and the draft of an announcement dealing with imports and exports of gas. She has also seen letters from the Department of Trade and Industry and the Treasury agreeing to the proposals, and I understand also that the Foreign Secretary is content.

The Prime Minister is also content with the proposed announcement.

I am copying this letter to the Private Secretaries to members of E(A) and to Len Appleyard (Foreign and Commonwealth Office), Henry Steel (Solicitor General's Office), Joan MacNaughton (Lord President's Office) and to Michael Stark (Cabinet Office).

Yours

David

AK David Norgrove

Geoff Dart, Esq.,
Department of Energy.

PRIME MINISTER

4 March 1986

GAS IMPORTS AND EXPORTS

Hitherto, gas imports - and even more so gas exports - have been presumed guilty of conflicting with the national interest until proved innocent; little Englanders have prevailed. Peter Walker's apparent intention to keep it this way has exposed the Government to the charge that the Thatcherite goal of freeing up markets and promoting competition has been subordinated to the short-term imperative of maximising the proceeds from gas privatisation. This has worried some of the Government's staunchest supporters.

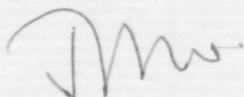
Peter Walker's proposed announcement on gas imports and exports is a welcome volte face. Ironically, the new factors which presumably have made this decision easier for him also make it less likely that UK gas will be exported to the Continent. Continental gas prices - partially indexed to oil prices - have recently fallen sharply, eliminating the price step between the UK and North West Europe. Nervousness over oil prices will tend to delay the development of UKCS gas associated with oil or condensate, probably increasing our gas supply deficit in the 1990s.

Apart from the presentational benefits, the liberal spirit of the proposed gas import/export régime should arouse the commercial creativity of the oil and gas industries, to the advantage of the UK economy. For example, one interesting

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idea is to use the UK as a "land bridge" for transporting the large reserves of Norwegian gas in the northern North Sea to continental gas markets.

We would endorse the proposed announcement.



JOHN WYBREW



From the Minister of State for Industry

x 39

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THE HON PETER MORRISON MP

The Rt Hon Peter Walker MBE MP
Secretary of State for Energy
Department of Energy
Thames House South
London
SW1

4 March 1986

NBPN

Leo Peto

GAS IMPORTS AND EXPORTS

I am writing in Paul Channon's absence in Brussels in response to your minute of 28 February to the Prime Minister.

I welcome the more liberal import and export regime reflected in the draft announcement, which seems to achieve a balance between the need to promote competition in the supply of gas on the United Kingdom Continental Shelf and security of supply considerations.

As you know, DTI is guardian of the UK's obligations under GATT, which like the EC Treaty may bear on our freedom to restrict the import and export of products. In this context I welcome the emphasis placed in the statement on security of supply, which seems a helpful consideration in this context. It is not, however possible to say in advance that the exercise of the announced policy will in all circumstances be compatible with our obligations under Article XX of the GATT - much will depend on the circumstances of individual cases in which it is proposed not to grant a waiver of the landing requirement. It will therefore be necessary for my officials to be involved in the consideration of any such cases.

There would be something to be said for explicit reference in the statement to our having regard to our international obligations, for example at the end of the penultimate sentence of paragraph 3

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of the draft. This would disarm those who might seek to argue that our policy was incompatible with them. If however you feel that this would be inappropriate for other reasons I would be content for the statement to issue as drafted, on the understanding that DTI officials would be consulted on individual cases as above.

I am sending copies of this letter to the Prime Minister, to members of E(A) and to Geoffrey Howe, Patrick Mayhew, William Whitelaw and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'P. Morrison'.

PETER MORRISON



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David Norgrove Esq
10 Downing Street
London SW1

4 March 1986

Dear David

GAS IMPORTS AND EXPORTS

The Chancellor has seen the minute of 28 February from the Secretary of State for Energy to the Prime Minister. The Chancellor is content with the terms of the draft announcement.

2. I am copying this letter to the Private Secretaries of other members of E(A) and the Private Secretaries of the Foreign Secretary, of the Lord President and of Sir Robert Armstrong.

Yours ever

Tony

A W KUCZYS

Pr to have content.
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