

CC/NO



Treasury Chambers, Parliament Street, SW1P 3AG  
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PRIME MINISTER

SLEIPNER

with AT?

I have seen a copy of Peter Walker's minute to you of 31 January.

2. In the light of the latest projections of supply and demand, I am sure Peter is right in proposing that we should reject the present Sleipner contract.

3. But I do not think it would be sensible to ask BGC to open immediate negotiations with other potential suppliers of imports. The Corporation will clearly need time to consider the situation they face in the light of this decision. As we have seen, the figures for proven and probable reserves have increased by some 15 per cent over the past year and the Department of Energy supply projections for the mid 1990s have risen by a similar amount. There may be a further revision in another year's time. The position on the Frigg field should certainly become clearer.

4. I therefore suggest BGC might aim to come back to us in about a year to set out, as Peter proposes, the options they see available. It is important that they should not again present us with a single case which we must either accept or reject. Insofar as their options include imports, I would agree with Peter that they should not exceed 200bcf a year.

5. Turning to exports, I do not think we can leave matters as Peter suggests. The latest central projections show a surplus of supply over demand through the 1990s. A refusal to permit gas exports for the present would have a deadening effect on UKCS activity in just the same way as in the late 1970s. (Incidentally, I had some difficulty in following Annex C to Peter's paper, as much of its argument seemed to be based on the assumption that the present Sleipner contract would go ahead. This is not, of course, the position we now face.)





6. I therefore suggest officials should prepare urgently a statement on a controlled export regime, drafted in a legally defensible manner. We could then consider the position in the light of that draft.

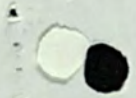
7. I am copying this minute to Geoffrey Howe, Peter Walker, Norman Tebbit and to Sir Robert Armstrong.

N.L.

N.L.

4 February 1985





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