

*Prin Mintz*

*For E Committee next Friday.*

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E(79)6

24 May 1979.

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CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

OFFSHORE SUPPLIES INTEREST RELIEF GRANTS SCHEME  
MEMORANDUM BY THE SECRETARY OF STATE FOR ENERGY

*Am very much against this solution. I would like to see the EEC Commission decision - would it be contrary to the Treaty of Rome?*

The attached note discusses the value of this scheme to the UK Offshore Supplies industry in some detail. It also touches on the EEC Commission Decision of 2 May which requires the Government to abolish the Scheme two months from that date as being contrary to the Treaty of Rome and it is with this aspect that I should like to deal here in a little more detail.

*to phase it out over 2 years*

So much attention has been given by the media to the Commission's interest in this matter and its employment implication that straight acceptance of the Commission Decision would be politically difficult.

*hard to*

Without interpreting the figures in the paper too literally, it seems probable that the scheme has had some beneficial effects in promoting British industry.

*EEC could*

*No*

Offering to regard EEC components as eligible provided they do not exceed 50% of the total content would seem an attractive compromise. Going above 50% can be ruled out: it would require legislation; could add more to public expenditure and would be criticised as using tax payers' money primarily to promote foreign competition. However, making some European components eligible would make it slightly more difficult for the Europeans to complain of discrimination.

*decision. The point is that because of their attitude to deep input tax relief.*

Although this compromise has already been once rejected by the Commission, and they seem unlikely to change their attitude, it

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seems reasonable for a new administration to be seen to be seeking to reopen this particular avenue, and also, if necessary, to look for a longer period for negotiation.

D.A.R.H.

Secretary of State for Energy,

24 May 1979.

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