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PRIME MINISTER

The conclusion of all this is that we should assume for

Treasury Chambers, Parliament Street, SW1P 3AG planning purposes
01-233 3000

PRIME MINISTER

that the real price of oil might well double by the

FUTURE PRICE OF OIL

end of the century. The Report

Difficult though it is to predict the future course of world oil prices, we need to make assumptions about them for a wide range of public sector decisions. Officials from the Department of Energy, the FCO, the CPRS, the Bank of England, and the Treasury, under Treasury chairmanship, have therefore completed an assessment of the future world energy market, in the light of the prospects for world economic growth and energy supply. On the basis of this work, set out in the attached report, they have suggested a central working assumption for the world oil price and possible alternatives, which they think should be used for testing major projects or policies involving energy creation, use or conservation.

itself is more sophisticated than this simple guess, and is worth a glance
MS

n/s

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2. A note by the Chairman of the Group is annexed to this minute. Its conclusion that oil and energy more generally will remain a problem in the longer term, reminds us of the need to economise in its use and to undertake adequate investment in alternative fuels and to get the highest returns from our resources in the North Sea. It offers, in the form of its analysis and the price projections which follow from this analysis, a useful, if limited, tool which can help us to achieve those objectives. The report itself seeks to disclaim "any appearance of spurious accuracy" and describes the central price projection as an "intelligent guess".



3. I do not think we need to discuss the report collectively. Its conclusions are inevitably subject to many qualifications. On that basis, and unless colleagues wish to raise any objections, this work should now be regarded as a useful contribution to thinking and planning for the more distant future.

4. Copies go to Members of E, Norman Fowler, and Sir Robert Armstrong.

MJ

H. (G.H.)
11 August 1980

[Signed on behalf
of the Chancellor of the
Exchequer, who has
approved the draft]