



SECRETARY OF STATE FOR ENERGY

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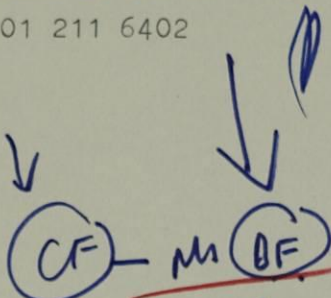
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Prime Minister

BNOC and BP are quite likely, so I understand, to reach agreement

tomorrow (see X below). If not, we will press Energy further. (We are fixing a meeting with the Honors to discuss the future of BNOC).

29 October 1979



for 7/11/79

R 30/10

Dear Tim,

Thank you for your letter of 24 October conveying the Prime Minister's concern about BP's oil supply position. The Secretary of State is watching this situation very closely. There is a clear interest for HMG to see that BP's interests are protected, so far as UK security of supply and the financial obligations put on BNOC are not prejudiced. But beyond a certain point there can be no further reconciliation of these objectives and a choice has to be made. My Secretary of State is clear that at that point UK security of supply must be given primacy.

The Prime Minister may like to know that a negotiating meeting was held on 22 October at which the Head of our Oil Division was present. The mood following this meeting was much improved and both sides agreed progress had been made. The next meeting is on 31 October. We shall again be represented and I will advise you if difficulties arise.

The Prime Minister suggested that in order to balance their books BP might sell spot some of the oil they buy from BNOC. The Tokyo Summit communique contained a commitment to discourage spot market transactions but, even leaving that aside, BP's shortage of oil means they would have to buy other volumes to replace those sold and these could only be obtained in turn on the spot market. BP would thus be no better off volumetrically or financially.

I am sending copies of this letter to Paul Lever (Foreign and Commonwealth Office), Tony Battishill (HM Treasury) and Martin Vile (Cabinet Office).

Yours sincerely,

Bill

Tim

Keep an eye

on it

one.

W J Burroughs  
Private Secretary