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PRIME MINISTER

Monsieur Wahl of President Giscard's office rang me yesterday to say that the President's eye had been caught by a weekend newspaper report that the Chairman of BNOC had announced that the Corporation were raising the price of North Sea oil to \$23 a barrel. M. Wahl said that, in view of what the Tokyo Summit had said about the OPEC decisions on oil prices in its recent Communiqué, the President was surprised at both the substance and timing of Lord Kearton's statement.

We have found on checking that Lord Kearton did say that BNOC would probably sell at around \$23 a barrel. BNOC take the line that their policy has always been to follow the market. Their crude is high quality which, like Nigerian and Algerian crude, attracts a significant premium. BNOC need to charge the market price since it has very high capital expenditure, and it has to buy back imported crude for refining in the UK.

The French are clearly trying to score a point. The fact is that although, as you said in your opening statement at the Summit, our interests are closely identified with those of the consumer countries, we are also a producer and this means that our interests will not always be absolutely the same as those of a country like France. On the other hand, the fact that we are a producer is going to give our partners in the Community a measure of headroom in reaching the Tokyo targets for oil imports which they would not otherwise have. It seems to me that the French should not be allowed to have it both ways.

We need to decide what to do about M. Wahl's call. I could take it no further and simply not call him back: from what he said when I told him that I would make

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enquiries about the newspaper report, I do not think that he would be surprised if he does not hear from me. Or I could telephone him to explain, on the lines of paragraph 2 above, why BNOC have done what they have done. This would show that we had at least taken the President's enquiry seriously, and it would be the courteous thing to do. I am inclined to suggest the latter course. I think we should explain our position firmly to the French, taking the line that this is the kind of exchange to be encouraged because it is a quick and convenient way of clearing up misunderstandings which might otherwise cause problems later.

Me
Wahl

Do you agree?

Wahl.

We also said that oil prices must rise to world parity or else to that effect, - please check. If we don't do that the oil will be purchased at the reduced price & others will then profit and

4 July 1979

Spoke to Wahl as above.

Wahl.