



SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
01 211 6402

Rt Hon Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON SW1 3HE

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Sent 13/11
At our request,
It has not copied
this; but he want
v much to see
it to Douglas Howard
(Pis). Would
you be content
with this?
13/11

13 November 1979

See Summary

PSBR 1979-80

I am writing to explain the concern which I feel at your proposals for bringing forward some public sector receipts from oil and gas into this financial year from next.

First, the international oil situation is as tense and uncertain as ever. It would make no sense for us to do anything which would increase instability, as I believe the wrong handling of some of your proposals would do.

Second, we cannot retain the co-operation - which I believe to be essential - of the oil companies, if we spring major decisions on them at short notice, without preparation or consultation. This is particularly important in the field of tax, given all that has been said both by them and by us about the need for a relatively stable fiscal regime.

It follows that I should strongly urge you not to make an announcement about the possibility of bringing forward PRT in the next few days. If, however, you believe that such an announcement is inevitable, I would urge you no less strongly that time must be found to give representatives of the oil industry some indication of our proposals and chance to react to them. (If this is done by way of a meeting, I should like Hamish Gray to be present). Obviously, the need for consultation and careful presentation would be even greater if there were any question that further legislation for another increase in PRT might follow legislation to advance payment.

As for forward oil sale, BNOC believe that it would be possible to secure up to £100m above the higher figure of £500m previously set for the exercise without offering additional oil or reopening negotiations, and I can therefore offer you this amount. It is not, however, possible to go beyond this, since the existing forward commitments, coupled with the additional commitments to BP

*2
should
bring you
for a
meeting
at 11
2:00
see memo*



88

resulting from the renegotiation of the BNOC/BP sales agreements, have now effectively committed the whole of BNOC's available oil in 1980. I must, however, emphasise the harm that would be done by any public statement that we were raising additional money in this way. It would merely increase the instability of the international oil market, as well as reviving all the criticism which the forward oil sales have already attracted.

As you asked, I have considered again the possibility of selling the Wytch Farm field. I confirm that, on the basis of the Law Officers' advice as well as for other reasons, it would simply not be possible to complete such a sale by 31 March.

Yours
David

D A R Howell