

OCCIDENTAL PETROLEUM CORPORATION

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ARMAND HAMMER  
CHAIRMAN AND  
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September 6, 1970

The Rt Hon Mrs M Thatcher MP  
Prime Minister & First Lord of the Treasury  
10 Downing Street  
London S W 1

*Dear Prime Minister*

Occidental's Canvey Island Refinery

I promised to write to you explaining the background and future plans concerning the Canvey Refinery where we have \$130M invested.

A conventional distillation refinery was under construction in 1973/74 when the future market outlook for petroleum products was radically altered by the first major OPEC price rise. Early in 1975 Occidental stopped work following new economic studies which showed the refinery was unlikely to prove profitable.

Today there is still a large surplus of crude oil distillation capacity in the UK and western Europe and we cannot foresee proceeding with the refinery as originally planned.

Since 1975 we have studied numerous alternate projects which might utilize the Canvey site. Only recently have we succeeded in identifying an approach which we feel is likely to satisfy the requirements of the planning and safety authorities as well as our own economic criteria. Detailed work is in hand and we expect to receive consultants' reports around the end of the year and thereafter to decide whether to proceed.

You can imagine my surprise at seeing the comments in the press by Sir Bernard Braine, with whom I met on my last visit to London. I enclose a copy of my letter to him which I hope clarifies the position.

As the decisions of the Venice summit are put into effect, coal will increasingly replace oil in the firing of power stations. At the same time heavier crudes will form an increasing proportion of oil production. It may even become feasible to produce the heavy crudes of the UKCS. These factors will cause more imbalance in the "shape of the barrel", giving a surplus of heavy oils, specially vacuum and cracked residues, relative to naphtha and the transportation fuels. The installation of a residue up-grading refinery will help restore the balance. We have in mind to process 60,000 barrels per day of residues.

As planning work proceeds my London staff will be contacting the Department of Energy to discuss a number of aspects of the project touching upon energy policy. I am very hopeful of being able to bring this project to fruition.

Sincerely yours

Armand Hammer

Dr Armand Hammer