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CONFIDENTIAL

Prime Minister

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When did we decide that this must be done. The requisites are being a long time. not

BGC still seem to be dragging their feet over the sale of oil assets. So Mr Howell is now going to issue a direction to force them to sell Wytch Farm. The Tranzy (Flag A) are cont'd, and suggest low legislation may be needed if, as Mr Howell shin proposes, there is to be a N. Sea oil co. based on BGC's or other oil interests.

PRIME MINISTER

BGC: DISPOSAL OF OIL ASSETS

You will recall that I minuted you on 8 October that the British Gas Corporation had commissioned Lazards to advise on the disposal of a majority holding in their oil interests in a way consistent with their statutory obligations.

The Board of the Corporation have now considered Lazards' report and have concluded that they could not voluntarily sell those assets by means of a sale of shares in a subsidiary company taking in their oil interests. The Board of the Corporation have been advised that they are obliged to act in good faith in the interests of the Corporation as such and that a distinction may be made between the powers, duties and objectives of the Board, on the one hand, and the wider concerns of the Government, on the other. The Board consider that the sale of assets proposed would not be something that they would choose to do voluntarily nor would the objective be to provide funds for the Corporation.

The Corporation's rejection of the Lazards proposal as inconsistent with their statutory obligations is disappointing. I remain of the view that it would be desirable to establish a new North Sea oil company based on BGC's existing interests, and that this would be an attractive new British private sector concern. I shall be considering the possibilities further.

In the meantime I am proceeding with the necessary consultations with the Corporation for issuing a direction under section 7(2) of the Gas Act 1972 for disposal of their interests in the Wytch Farm oil field, as we agreed at E(80)30th Meeting. I expect that this will be resisted by British Gas and I will have to satisfy myself that the disposal will not impede or prevent the proper discharge of the Corporation's duties. If it appears safe to issue a direction (and

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I will consult the Attorney General at that stage before proceeding) it will have to be laid before Parliament for a period of 40 days after which the statutory instrument may be made. British Petroleum, BGC's partners in the field, have the right to match any bid which in itself may deter potential outside buyers. I doubt whether in any event we could expect to bring in more in 1981/82 than about £100 million that the sale of BGC's interest in Wytch Farm might realise.

I am sending a copy of this letter to the members of E, Nicholas Edwards and George Younger, the Attorney General and Sir Robert Armstrong.

Secretary of State for Energy

27 April 1981

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