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PRIME MINISTER

Introduction

You are meeting Sir David Steel on 16 July with the Chief Secretary and myself. I was asked at E(DL)3rd meeting to explore with Sir David Steel his reaction to a number of options whereby BP might take an interest in or take over BNOC's upstream assets.

... I have had two meetings with Sir David, and attach a copy of the note which he prepared as the basis for our second discussion.

You will want this.

... 2 I am also attaching by way of background the papers on the future strategy for BNOC which I have circulated to colleagues for discussion at E Committee on 17 July. The two points I would like to emphasise as background to our discussion with Sir David Steel, which are covered in these papers are:

- (i) the essential contribution that a state oil trading operation with access to the oil available under participation agreements can make to securing our oil supplies;
- (ii) the options for BNOC's upstream operation which range from a preliminary slimming down, prior to introduction of private capital, to outright disposal of all its upstream assets.

3 The options which are covered by Sir David Steel in his note show ways in which BP might help us in meeting our objectives for

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