

SECRET

CONFIDENTIAL FILING

The Future of BIOC

ENERGY

Proposed Sale of BP Assets

Pt 1: July 1979

Pt 7: January 1989

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
2-1-89							
13-1-89							
16-1-89							
9-7-89							
11-7-90							
11-2-92							
PREM 19 / 3705							

SECRET



cc/c

Foreign &
Commonwealth
Office

London SW1A 2AH

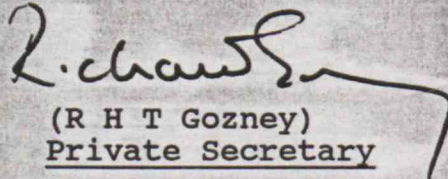
11 February 1992

Dear John,

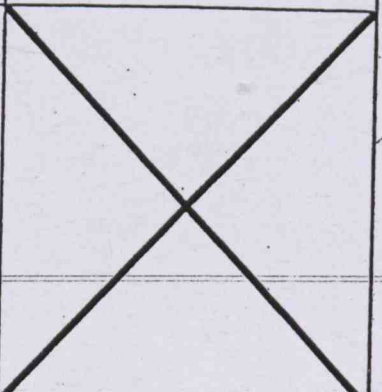
I mentioned on the telephone that the Chairman of BP would be calling on the Foreign Secretary for a general chat about some of BP's activities abroad. You and your Secretary of State might like to see what Mr Horton had to say. I should be grateful if you would not copy it more widely.

At the Foreign Secretary's suggestion, I am copying this letter and enclosure to **Stephen Wall at No 10.**

Yours ever,


(R H T Gozney)
Private Secretary

John Neilson Esq
PS/Department of Energy

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>3705</i> (one piece/item number)	Date and sign
Extract details: <i>Gorey to Bone dated 11 February 1992</i>	
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Use black or blue pen to complete form.

Use the card for one piece or for each extract removed from a different place within a piece.

Enter the department and series,
eg. HO 405, J 82.

Enter the piece and item references, .
eg. 28, 1079, 84/1, 107/3

Enter extract details if it is an extract rather than a whole piece.
This should be an indication of what the extract is,
eg. Folio 28, Indictment 840079, E107, Letter dated 22/11/1995.
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ccp

n.b.P.M.

BHP

20/7

Treasury Chambers, Parliament Street, SW1P 3AG
071-270 3000

20 July 1990

Rt Hon John Wakeham FCA JP MP
Secretary of State for Energy
Department of Energy
1 Palace Street
LONDON
SW1E 5HE

Dear Secretary of State

BP/BRITOIL

I have seen your letter of ^{*Acup*} 18 July to Malcolm Rifkind and the attached draft announcement. I think it would give a more complete picture if in the third paragraph, there was also some mention of what the exploration assurances given in 1990 were, ie the expectation of a spend between £300 and £325 million and the hope that up to 90 wells would be drilled.

Tax implications

I understand that BP told your officials some time ago that they believe redeeming the special share will save them about £25 million per annum in tax. I am a little surprised that this did not surface in earlier letters about the redemption but, of course, it need not alter the decision, because special shares are taken for other policy purposes and the tax implications are coincidental. However, the questions may well be raised after the announcement of this. I would suggest that the following points are made:

- special shares are designed to protect privatised companies from unwanted aggression, not to raise their tax liability. It would be arbitrary to take tax into account in the decision on whether and when to redeem a share. In this case, there was no time limit on the special share and the conditions for redemption were set out in the 1988 assurances.

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If asked whether, by delaying redemption to the end of 1990 BP's tax bill for this year would have been affected:

- detailed tax position confidential matter between Inland Revenue and BP.

Copies of this letter go to the recipients of yours.

Yours sincerely

J. Gier

J. JOHN MAJOR

[approved i draft by the Chancellor]

CONFIDENTIAL

ENBR01: BNO0 A77

CONFIDENTIAL



76
84
cc PU

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

19 July 1990

Dear John,

BP/BRITOL

The Prime Minister has seen a copy of your Secretary of State's letter of 18 July to the Scottish Secretary, attaching a draft Parliamentary Written Answer announcing the redemption of the Britoil special share.

The Prime Minister is content to go ahead as proposed, subject to any drafting changes which the Scottish Secretary or other copy recipients might wish to suggest.

I am copying this letter to Tim Sutton (Lord President's Office), John Gieve (Treasury), Martin Stanley (Department of Trade and Industry), Murdo Maclean (Chief Whip's Office), and Jim Gallagher (Scottish Office).

*Yours,
Barry*

BARRY H POTTER

John Neilson Esq
Department of Energy

CONFIDENTIAL

THE RT HON JOHN WAKEHAM MP

To note. (You saw the
earlier correspondence.)



Department of Energy
1 Palace Street
London SW1E 5HE
071 238 3290

The statements may raise
some concern in Scotland -
but these are more important
statements planned next
publication of
Monday (Powergen & low
income statistics).

BHP

18/7

18 July 1990

The Rt Hon Malcolm Rifkind QC MP
Scottish Office
Dover House
Whitehall
LONDON
SW1A 2AU

Dear Malcolm,

BP/BRITTOIL

I was grateful for your letter of 6 July and for the letter from John Major's office of 10 July both agreeing that we should announce the redemption of the Britoil special share before the recess. I have no doubt (on the point which John raised) that this is fully consistent with what Nigel Lawson told the House in 1988. As you know, BP have now made their preliminary announcement of a Scottish Advisory Board and this appears to have been well received.

Peter Morrison is planning to announce the redemption during Energy questions on 23 July, and give a full written answer later that afternoon. I am also seeking to ensure that a North Sea topic be included in the Consolidated Fund ballot to provide a further opportunity for debate.

I would be grateful if you, and the others to whom this is copied, would let me know by close of play on Thursday 19 July if you have any comments.

I am copying this to the Prime Minister, Geoffrey Howe, John Major, Peter Lilley and Tim Renton.

John Wakeham
John

JOHN WAKEHAM

000hr479

Q. To ask the Secretary of State for Energy whether he has anything to add to the Government's response to the First Report of the Energy Select Committee during the current session of Parliament.

A number of substantial benefits to Scotland and to the development of the UK's oil and gas resources have been secured as a result of BP's compliance with the assurances which they gave to the Government when they acquired Britoil in 1988.

The reserves of Britoil's producing fields have been upgraded by 67 million barrels.

The drilling rate on Britoil acreage increased significantly in 1988 and again in 1989 and this year is expected to be approximately double the 1988 level. BP have confirmed to me that their plans for drilling in 1990 are designed to secure that 87 wells are drilled on acreage held by BP or Britoil at the time of the acquisition and that they are confident that £310m will be spent. A further £30m is being spent on exploration related R&D.



Treasury Chambers, Parliament Street, SW1P 3AG when Britoil
071-270 3000

To note. All relevant Ministers
- Mr Wakelam, Chancellor, Mr Rixley
• Mr Riffkin - once agreed that
BP have met the assurances given
was taken over in 1988
(commitments to work on
with Novotny).

11 July 1990

J Neilson Esq
PS/Secretary of State for Energy
Department of Energy
1 Palace Street
LONDON
SW1E 5HE

Accordingly, it is
agreed that the Government
should now release
the special share in
Britoil.

JHP

11/7

Dear John,

BP/BRITTOIL

WITH BP?

The Chancellor was grateful for your Secretary of State's letter
of 10 July.

If your Secretary of State is satisfied that the assurances which
Nigel Lawson described to the House have been fully implemented
and working satisfactorily for a reasonable period, the Chancellor
is content for him to proceed as he proposes.

I am sending copies of this letter to Barry Potter, Jim Gallagher
Neil Thornton, and Steven Flanagan.

Tarced Tarkowski

T TARKOWSKI
Private Secretary



CONFIDENTIAL

alp

THE RT HON JOHN WAKEHAM MP



Department of Energy
1 Palace Street
London SW1E 5HE
071 238 3290

The Rt Hon John Major MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

10 July 1990

Dear Tom

*MURPS
WITH BHP*

BP/BRITTOIL

I have seen your private secretary's letter of yesterday which quotes from Nigel Lawson's remarks in 1988 and questions the strategy, upon which I thought we had all now agreed, of announcing the redemption of the special share before the recess.

Nigel told the House that 'after a period of time the Government will review, in the light of the way the assurances have operated, when the special share should be redeemed'. The assurances which BP gave the Government in 1988 have been fully implemented and have been working satisfactorily for a reasonable period. All this has been exhaustively reviewed by the Select Committee. As you know, we have examined BP's drilling programme for 1990 very fully and we are satisfied, and have been satisfied for sometime, that their plans are fully consistent with what they promised and, indeed, that management is committed to coming within the quoted ranges for expenditure and for the number of wells drilled (though these figures were always recognised as being conditional upon market conditions at the time). All the other assurances have been fully implemented now for a considerable period.

In my view, therefore, we have been quite scrupulous in holding BP to the assurances in full and a decision to redeem the special share before the recess is fully consistent with what Nigel Lawson said.

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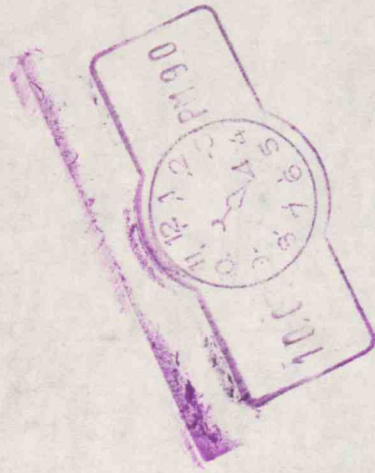
What I think is most important is that we should not still be holding the special share in the run-up to the election. The only question, therefore is whether we should redeem the special share now or in the Autumn. In my view it is unquestionably better to do so now when we have a well established case for doing so in the light of our own analysis and the work of the Select Committee. If we wait until the Autumn we shall face a new set of uncertainties - for instance the possibility of a sharp change in oil prices, of industrial action in the North Sea or, indeed, anything else which might bring an organisation of the magnitude of BP into the political arena - and we will also be asked searching questions about BP's plans for 1991 which are not covered in the assurances and in which we have not had any involvement so far. I hope, therefore, that you can now agree that we should proceed as planned.

The timetable for BP's preliminary announcement of their Scottish Advisory Board is now very tight. I must ask, therefore, for your views by tomorrow (Wednesday) morning at the latest.

I am sending copies of this to the Prime Minister, Malcolm Rifkind, Nicholas Ridley and Peter Lilley.

John Wakeham
[Signature]

JOHN WAKEHAM





By Mr Potter
Use you and the proposal?

Houston
Texas

NT 1217
Mr Turnbull
Yes - papers
Submitted to P.M.
overnight.

John Neilson Esq
PS/Secretary of State for Engery
1 Palace
LONDON
SW1E 5HA

9 July 1990

BHP
1217

Dear John

BP/BRITOIL

The Chancellor has seen the correspondence on this subject and he understands that your Secretary of State now plans to redeem the special share during the last week of this session.

He fully shares the desire to redeem the special share as soon as BP meets its assurances. However, he does think there may be political differences if the Government presses ahead with undue haste. He notes, in particular, that during his statement on 23 February 1988, Nigel Lawson said:

"But of course it is important that the House should be assured that the undertakings that BP has given will be carried out, and that is why we shall be retaining the special share, with all its powers, until such time as these assurances and undertakings have been fully implemented and have been seen to be working satisfactorily for a reasonable period."

Against that background he is not sure what reasons can be advanced for redemption before the targets have been reached. If they are to be met in the near future, as he understands seems likely, he sees advantage in waiting. If they are not to be met, he sees difficulty with the Lawson pledge.

I am sending copies of this to Andrew Turnbull, Jim Gallagher, Neil Thornton and Steve Flanagan.

John Gieve

John Gieve



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon John Wakeham MP
Secretary of State for Energy
Department of Energy
1 Palace Street
LONDON
SW1E 5HE

SECRETARY
6 JUL 1990
Ms Goodman
Mr Sir P Muddleton
Mr Rossau, Mr G Major
6 July 1990
Mr M Williams, Mr Burt
Mr Blom (T-Sd-) Mr Turie

Dear Sir,

BP/BRITOL

Thank you for your letter of 4 July.

I am prepared to agree to an announcement on the Special Share in the last week of the Session on the basis of an announcement at the beginning of next week by BP of the decision to establish the Scottish Advisory Board. This makes it all the more important that the Scottish Advisory Board carries the greatest possible credibility. I hope therefore that you will be able to influence BP's decision on the chairmanship of the Board in favour of Bob Horton for the reasons set out in my letter of 3 July.

It will, of course, be important for your officials to keep mine closely in touch with the timing and content of the BP announcement so that we can ensure that it is properly handled within Scotland.

I am copying this letter to John Major and Nicholas Ridley.

MALCOLM RIFKIND

letter faxed 6-7-90 (12.30)

*Copy - John Major
Peter Lilley
Nicholas Ridley*

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cc - Cx, Sir P Middleton,
Mr Rouse, Mr G Moore,
Mr M Williams, Mr Bent,
Ms Goodman, Mr Burt
(T-sec).
Mr Tjell

Treasury Chambers, Parliament Street, SW1P 3AG

John Neilson Esq
PS/Secretary of State for Energy
1 Palace Street
LONDON
SW1E 5HA

6 July 1990

Dear John,
BP/BRITOL

The Financial Secretary has seen your Secretary of State's letter of 4 July and Mr Rifkind's letter of 3 July.

In his letter of 11 June the Financial Secretary expressed his concern about redeeming the special share before BP had fulfilled the assurances they gave to the Treasury in respect of exploration in 1990. However, he feels that if there is in practice no likelihood of those assurances not being met the question of when to redeem the special share is now essentially presentational. He feels that, as tempers tend to be frayed in July, it might not be a particularly good time for the announcement and he doubts that in Scotland would forget the substance of the decision before the next Parliamentary Session. But he feels that Mr Rifkind would be the best judge of the handling of Scottish opinion. If he is content with your Secretary of State's proposals, the Financial Secretary would also be prepared to go along with them.

I am copying this letter to Tancred Tarkowski in the Chancellor's office, to Jim Gallagher in Mr Rifkind's office and to Neil Thornton in Mr Ridley's office.

Yours,

S J FLANAGAN
Private Secretary

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THE RT HON JOHN WAKEHAM MP



Department of Energy
1 Palace Street
London SW1E 5HE
071 238 3290

CH/EXCHEQUER	
REC.	04 JUL 1990
ACTION	FST
COPIES TO	

4/7

The Rt Hon Malcolm Rifkind QC MP
Secretary of State for Scotland
Scottish Office
Whitehall
LONDON
SW1A 2AU

4 July 1990

Dear Malcolm

BP/BRITOil

Thank you for your letter of 3 July.

I am afraid there is no prospect of persuading BP to make a preliminary announcement now about the Scottish Advisory Board and then establish it during the summer, on the basis that we would address the question of the Special Share in the autumn. The Scottish Advisory Board is intended as a successor to the Britoil Board and I explained in my letter of 22 June the logistical and other problems BP would face in trying to run the two Boards in parallel.

Peter Morrison has, I believe, mentioned to you our concern that, if we do not act now, it may prove more difficult to act at a later stage. We have a strong story to tell at the half year point, good ground for confidence in BP delivering the 1990 numbers and a sound general basis on which to withdraw. If we wait till September or October, we shall inevitably find ourselves drawn into the detail of what has and has not been drilled, able to tell three quarters of a detailed story but unable to give the final account. That does strike me as weaker ground for an announcement than we possess at present, even assuming there have been no other events in the meantime to make the timing unattractive. It would be particularly unfortunate if we allowed matters to drift into next year - I outlined in my letter of 22 June the issues that are likely to have emerged by then - and ended up in possession of the Special Share in the run-up to an Election.

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You said that you would, reluctantly, be prepared to contemplate an announcement this side of the Recess. This was incidentally the timetable we canvassed at the time of the reply to the Select Committee and which the terms of the reply had in mind. I am convinced for the reasons I have set out that this remains the right approach. The next step would be for me to ask BP to make their announcement, recognising that this will commit us to making our announcement before the Recess. BP would need to proceed no later than next Monday. If you or colleagues are unhappy with this approach or would, on reflection, prefer us and BP to announce on the same day perhaps you could let me know during the course of Thursday 5 July.

I am copying this letter to John Major and Nicholas Ridley.

John Wakeham
John

JOHN WAKEHAM

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SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Rt Hon John Wakeham MP
Secretary of State for Energy
Department of Energy
1 Palace Street
LONDON
SW1P 5HE

FST

3 July 1990

Dear John

BP/BRITOL

Thank you for your letter of 22 June on the timing and presentation of a decision on the Special Share.

I am grateful to you for following up my suggestion that the announcement of our decision should be subsequent to the announcement of a Scottish Advisory Board by BP. However, I do feel that the gap of a fortnight which you propose is too close for comfort. I note your additional point that it is not open to us to make an announcement on the Special Share during the recess. That being so, I think we should give every encouragement to BP to announce their Advisory Board very quickly now. It would be open to the company to give further thought to the composition of the Board, and make an announcement on that in the quieter summer period. On this timetable the Board would have started its work by the autumn while on the other hand I understand that the main drilling season is over by around the end of September. We would then be in a much stronger position by the time the House reassembles to present a decision on the Special Share. This is after all the timetable we discussed in February when you were putting the finishing touches to the Government reply to the Energy Select Committee and we decided not to commit ourselves to redeeming the Special Share this summer. My strong preference, therefore, would be for an announcement in the autumn. If, however, other colleagues were content to have an announcement in the last week of the Session, I would not hold out against such a common view, provided we got the maximum separation from the announcement of the Scottish Board.

I note what you say about the Chairmanship of the new Scottish Advisory Board. I would have thought that, if the new Board is to have a suitable impact and not be regarded as some kind of downgrading, then Bob Horton would be the man to chair it. David Simon would not in my view be seen as having the same sort of position in relation to BP's Scottish operations as does Bob Horton.

CONFIDENTIAL

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I hope you can now agree to a separation of the company announcement on the Advisory Board and the likely Government announcement, preferably in the autumn. I am copying this letter to John Major and to Nicholas Ridley.

Yours ever,
Malcolm Rifkind

MALCOLM RIFKIND

CONFIDENTIAL

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THE RT HON JOHN WAKEHAM MP



Department of Energy
1 Palace Street
London SW1E 5HE
071 238 3290

15-25/0

CH/EXCHEQUER	
REC.	22 JUN 1990
ACTION	FST
COPIES TO	

22/c

The Rt Hon Malcolm Rifkind QC MP
Secretary of State for Scotland
Scottish Office
Dover House
Whitehall
LONDON
SW1A 2AU

22 June 1990

Dear Malcolm,

BP/BRITOL

Thank you for your letter of 5 June.

We are all agreed that BP have met their commitments and have now satisfied the outstanding requirements with regard to the 1990 exploration programme set in February. The issues are timing and presentation of a decision on the Special Share.

It is not open to us to announce during the Recess, given Nigel Lawson's 1982 assurance that there would be an announcement to Parliament which was mentioned in the reply to the Select Committee. If we wait until the autumn, we will as I see it have missed the opportunity of action during 1990 and run the risk of increasing difficulties in extricating ourselves from this involvement subsequently. By the autumn the case for holding off till December in order to carry out a full audit of 1990 exploration will be virtually unanswerable. We can by later in the year also expect growing speculation about the level of BP exploration in 1991 and mounting pressure to continue the monitoring exercise for a further year. This issue was already rehearsed in the Select Committee's report and there has only recently been a first broker's report speculating on lower drilling levels during 1991. BP have no specific exploration commitments to us beyond 1990: the assurances require them merely to maintain a strong programme taking one year with another.

You said you judged it would be preferable for the Scottish Advisory Board to be announced in advance and we have pursued this with BP. The company have expressed concern to us about the potential here for raising the profile rather than, as intended, spreading reassurance, but they have indicated willingness to go ahead in terms of the text I am enclosing. I understand their

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intention is that Bob Horton or possibly David Simon, the Vice Chairman of BP, would chair the new Board. They would be prepared to make this clear but do not want to announce other names at the outset since, although a number of Britoil Board members including Sir Robin Duthie will be on the new Board, there will be changes and this could make for difficulties within the Britoil Board and possibly beyond.

My conclusion is that if we are to surrender the Special Share and avoid playing it and ourselves into baulk, we had best proceed before the Recess. I would propose that we invite BP to make their announcement during the first week of July with a view to then following up with a Government announcement a fortnight later. Once BP go ahead, we shall in practice be committed to our announcement since failure to make it would leave them in an untenable situation. If you and others are content, we shall set the necessary arrangements in hand.

I am copying this letter to John Major and Nicholas Ridley.

A handwritten signature in dark ink, appearing to read "John Wakeham".

A second handwritten signature in dark ink, appearing to read "John Wakeham".

JOHN WAKEHAM

CONFIDENTIAL

June 19, 1990

BP PLANS SCOTTISH ADVISORY BOARD

BP today announced that it intends to establish a special external board to advise the company on issues that could affect the conduct of its business in Scotland.

The BP Scottish Advisory Board would review economic, business and social developments and analyse their potential impact on BP's business plans and projects in Scotland. It would also provide guidance on BP's policies, as they related to Scotland, on employment, recruitment, health, safety and the environment, together with its community, educational and public affairs programmes.

BP's Scottish-based assets total some £6 billion, including its UK North Sea oil and gas interests and a refinery and chemicals complex at Grangemouth, near Edinburgh. It employs almost 10,000 people in Scotland.

Commenting on plans for the new board, BP Chairman Robert Horton said: "Bearing in mind the key significance of Scotland to BP and the fact that the majority of our UK assets and staff are based there, I believe it is important that decisions relating to our Scottish activities should reflect a strong Scottish perspective. The Advisory Board will achieve that and also help BP to meet its wider social obligations to the Scottish community, both in the areas where we operate and at national level."

Members of the Scottish Advisory Board will be announced in due course.



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Neil *when is advice coming? (or)*
Agency advice *did we get advice direct*
came up this *May?*
morning

CONFIDENTIAL

The Rt Hon John Wakeham MP
Secretary of State for Energy
Department of Energy
1 Palace Street
LONDON
SW1P 5HE

CH/EXCHEQUER	
REC.	05 JUN 1990
APPROV.	FST
NO. TO	
TO	

5 June 1990

Dear John

BP/BRITOL

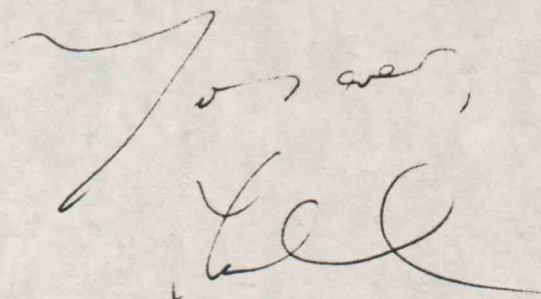
Thank you for your letter of 24 May in which you propose that an announcement be made to Parliament this month of the Government's decision to redeem the Special Share in Britoil.

I do not question your assessment that BP are well on course to meeting their targets in relation to farm outs and drilling plans. However, I think that the presentation of a decision to redeem the Special Share would be improved if we were to avoid the appearance of making the decision at the earliest possible moment following the availability of the information on which your assessment is based. As my Private Office have already indicated to yours, I believe that an announcement after the recess, assuming that nothing has happened to change our assessment of BP's progress, would be likely to be better received. Certainly, I would prefer that the announcement of our decision was subsequent to the announcement of a Scottish Advisory Board by BP rather than simultaneous because I think that we would be open to the charge that we were making our decision before we had given ourselves the chance to observe BP's arrangements in relation to Scotland in operation.

In relation to the Scottish Advisory Board announcement, it is clearly important that we have advance notice of the terms and timing of the announcement in order that we may respond. I would be grateful if you

would do what you can to ensure that this is so and my officials will keep in touch with yours about obtaining an advance copy of the text of BP's announcement.

I am copying this letter to John Major and Nicholas Ridley.

A handwritten signature in black ink, appearing to read 'Rifkind', with a large, sweeping flourish extending to the left.

MALCOLM RIFKIND



the department for Enterprise

The Rt. Hon. Nicholas Ridley MP
Secretary of State for Trade and Industry

The Rt Hon John Wakeham MP
Secretary of State for Energy
Department of Energy
1 Palace Street
LONDON
SW1E 5HE

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Enquiries
071-215 5000

Telex 8811074/5 DTHQ G
Fax 071-222 2629

5/6

EXCHANGE	
NEL.	05 JUN 1990
TO	FST

Direct line 071 215 5622
Our ref JW5AJX
Your ref
Date 4 June 1990

Dear John

Thank you for sending me a copy of your letter of 24 May to Malcolm Rifkind, proposing the redemption of the Britoil Special Share. I am content with your plans.

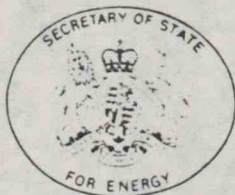
I am copying this letter to John Major and Malcolm Rifkind.

John
Amos



Recycled Paper

THE RT HON JOHN WAKEHAM MP



Department of Energy
1 Palace Street
London SW1E 5HE
071 238 3290

✓ 24/5
24 MAY 1990
FST

The Rt Hon Malcolm Rifkind QC MP
Secretary of State for Scotland
Scottish Office
Whitehall
LONDON
SW1A 2AU

24 May 1990

See below

BP/BRITTOIL

You will recall that last February we reached agreement in principle on the future of the Britoil Special Share. We agreed that we would redeem the Britoil Special Share once we were satisfied that BP were on course to fulfil the 1990 exploration assurance and that BP management remained committed to the assurance. The way was paved for this in my Department's reply to the Energy Select Committee's report on BP's compliance with the Britoil assurances.

I made the point then that we would be in a position during the Spring to assess the achievement of BP's programme of farm outs and the likelihood of their fully carrying out their own drilling plans. BP are now well on course to meet their targets in both of these areas. They are close to completing their programme of farm outs - and are prepared to guarantee to make up any shortfall in the number of 1990 wellstarts themselves, though I would not make this public at this stage in order not to weaken BP's position vis a vis the farmers-in.

BP are also pressing ahead with their own and partners' drilling programmes. They have equipped themselves with a wide margin of resources and have given incentives to management to achieve the exploration targets. Oryx Energy and Conoco are also meeting their "inherited" drilling commitments on the acreage they purchased from BP.



I have concluded that the 1990 exploration programme is now firmly on course, that no further purpose would be served by continued monitoring, and that we should redeem the Special Share. I think probably the best plan would be to make a Parliamentary announcement in June, laying positive stress on what BP have done to meet all of the specific, quantifiable assurances they gave two years ago. I understand that BP are planning to appoint a Scottish Advisory Board when Britoil cease to exist as a separate entity and I would aim to give them sufficient notice to enable them to announce this at the same time.

I would be grateful for your comments, and those of John Major and Nicholas Ridley, to whom I have copied this letter.

John Wakeham

John Wakeham

JOHN WAKEHAM

CONFIDENTIAL

PMP



SCOTTISH OFFICE
WHITEHALL LONDON SW1A 2AU

The Rt Hon John Wakeham MP
Secretary of State for Energy
Department of Energy
1 Palace Street
LONDON
SW1E 5HE

CH/EXCHEQUER	
REC.	21 FEB 1990 ^{21/2}
RTM	FST
COPIES TO	

21 February 1990

Dear John

BP/BRITOL

Thank you for your letter of 19 February with which you enclosed a copy of your Department's draft reply to the House of Commons Energy Committee's report on BP's performance in relation to the Britoil assurances.

I accept in principle your conclusion that the Government should redeem our Special Share in Britoil, perhaps this summer, provided we are satisfied that BP are on course to fulfil their assurance on levels of exploration drilling activity during 1990, and that their management remain committed to that assurance. However, while I accept that the response to the Select Committee should open the way for this I question whether it needs to go as far as to commit us now to action in the summer of this year. The redemption of the Special Share is a highly sensitive issue in Scotland, and an announcement in these terms now would I think be unhelpful. If we were to do so we would find it difficult to postpone the step unless we had strongly publicly defensible evidence that BP were liable to depart from their assurances. For the meantime, I think it would be enough to say that we expect that the Special Share will be redeemed, but do not plan to do so immediately.

I am copying this letter to John Major.

over,
Malcolm Rifkind

MALCOLM RIFKIND

CONFIDENTIAL

THE RT HON JOHN WAKEHAM MP



Department of Energy
1 Palace Street
London SW1E 5HE
01 238 3290

1990

RECEIVED
21 FEB 1990
Mr S. Robson
CX, Sir P. Middleton,
Mr Monck
Mr J.P. Wilson
Mr Bent

Mr M.H. Williams,
Ms H.C. Goodman,
Mr Tyrie, Mr Blythe-
T. Sol.

21 February 1990

The Rt Hon Malcolm Rifkind QC MP
Secretary of State for Scotland
Dover House
Whitehall
LONDON
SW1A 2AU

Dear Malcolm,

BP/BRITOL

Thank you for your letter of 21 February. I am also grateful to Peter Lilley for his comments of 20 February.

We are all agreed on the procedure to follow in relation to the outstanding exploration points and the decision on the Special Share. As I said in my letter of 19 February this points to decision in the early Summer. Peter expressed concern that BP's motivation might be reduced. On the contrary, I would expect them to be under considerable pressure to satisfy us by then as to the farm-outs and that they were still on course with the exploration programme. If this were not so, we would as I see it have a very clear public basis for continued monitoring. It would also go without saying that BP's chances of satisfying us better later on would not have improved.

Peter also expressed concern that we might be thought not to have taken the original assurances with sufficient seriousness. I can see no basis for this. We have monitored all the assurances and have now checked off all specific items with the exception of exploration. While the Committee made some passing remarks about monitoring, they chose not to be specific and indeed on those specific items where they expressed a degree of reservation were unable to fault what the Department had done and effectively said so in terms.

My concern is that the Department's reply should give the Committee a sufficient indication now of the way my mind is moving to avoid any suggestion at the time when the announcement is made that we have been holding back or concealing our intentions. I think it is important that what we say in the

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cc. ps/cx, Sir P. Middleton,
Mr Monk, Mr J. Wilson,
Mr Bent, Mr Robson,
Mr M L Williams,
Ms H. C. Goodman,
Mr Tyrie,
Mr Blythe - T. Sol.

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon John Wakeham FCA JP MP
Secretary of State for Energy
1 Palace Street
LONDON

20 February 1990

John Major
BP/BRITOL

You copied to John Major your letter to Malcolm Rifkind and the draft response to the Energy Select Committee, with a request for comments.

It is welcome news that you believe BP are on the way to meeting the assurances which they gave to us in 1988.

As far as your reply to the Select Committee report is concerned, we are broadly content with your reply and accept your view that it would be wrong to continue to monitor BP's exploration activity in 1991, since the original targets covered the years 1988 to 1990. If BP meet the criteria you have set on farm-outs and they continue to meet the other assurances it is reasonable to redeem the Special Share this year.

However, I have some doubts about including this in the note for the Select Committee now. I appreciate that you wish to avoid the charge of not having kept the Committee up to date with your thoughts as they develop. But there are also risks in making a clear statement now. It may appear to change the criteria from exploration targets to more indirect means such as farm-outs, thereby reducing the pressure on BP and the other companies to carry out the exploration. It may add weight to the Select Committee's suggestion that we have not been tough enough over the monitoring. We may have to face an adverse reaction both now and again in the summer. And I believe we need to take and to be seen to take the original assurances very seriously. So I would suggest deleting the phrase "during the summer of this year", from the final paragraph.

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A copy of this letter goes to Malcolm Rifkind.

PL

PETER LILLEY

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THE RT HON JOHN WAKEHAM MP



Department of Energy
1 Palace Street
London SW1E 5HE
01 238 3290

CH/EXCHEQUE	
REC.	19 FEB 1990
ACTIV	FST ✓ 19/2
DUPLIC	
TO	

The Rt Hon Malcolm Rifkind QC MP
Secretary of State for Scotland
Dover House
Whitehall
LONDON
SW1A 2AU

19 February 1990

Dear Malcolm

BP/BRITTOIL

As you know, the Energy Committee of the House of Commons reported in December on BP's performance in relation to the Britoil assurances. The report generally acknowledges that BP have complied with the assurances as stated and recognises the significant benefits to Scotland which have resulted, although it questions whether the spirit has been fully met in relation to employment. The Committee have recommended that I should retain the Special Share and continue to monitor BP's exploration activity, in particular, in 1991.

I enclose the draft of a reply from my Department. I am satisfied that BP have so far complied with all the assurances which they gave - indeed in a number of respects they have significantly exceeded them - and this is reflected in the reply.

When the assurances were originally given, in February 1988, the Government said that after a period of time it would review, in the light of the way the assurances had operated, when the Special Share should be redeemed.

As you will see from the draft reply, BP have now carried out all the specific assurances which they gave requiring early action on their part - for instance on enhancing the role of Glasgow and by upgrading reserves - and they are well on the way towards meeting the last of the quantified targets which they set themselves, which is for exploration drilling activity in 1990.

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I think it would be a mistake to retain the Special Share much beyond the point where we can be confident that all the specific assurances are being met, a stage which we could reasonably hope to reach in the Spring, when BP should have a clear view of this year's drilling outlook. Beyond that stage the process of monitoring would be bound to become more subjective and more akin to second guessing BP's management.

The draft reply therefore rejects the Committee's recommendation that monitoring should continue during 1991 and, instead, opens the way for handing back the Special Share during the Summer if this continues to be justified by BP's performance.

The Energy Select Committee expect my response by this Thursday. I would welcome any comments which you or John Major, to whom this is copied, may have on the draft reply or any other thoughts which you may have at this stage on the handling of the Special Share by close tomorrow please.

John Wakeham

John

JOHN WAKEHAM

BP/BRITTOIL JOB LOSSES AND ASSET SALES: DEPARTMENT OF ENERGY
MEMORANDUM IN RESPONSE TO THE FIRST REPORT OF THE ENERGY
COMMITTEE

1 At the time of BP's acquisition of Britoil, the Government, as holder of the Special Share in Britoil, obtained assurances from BP relating to the development of the North Sea and the company's plans in Scotland. These assurances were set out in a letter of 23 February 1988 from Sir Peter Walters, Chairman of BP, to Sir Peter Middleton, Permanent Secretary to the Treasury. Sir Peter Middleton indicated in reply that the Government did not intend to exercise the rights of the Special Share so long as, in its opinion, the assurances were complied with. The Department of Energy has since regularly monitored BP's compliance with the assurances.

2. The Department welcomes the Select Committee on Energy's Report. The Committee's inquiry, which followed BP's announcement in September of its restructuring plans for its worldwide exploration activity, took place at a time when many of the commitments which BP had made relating to its work programme and other matters had been met or were nearing completion. As a result the Committee have been able to add to the Department's own monitoring and to offer an independent assessment of the progress made to date in discharging the assurances.

3. The Department notes that the Committee have found that BP has complied with the assurances. In one instance, the Committee were satisfied that BP had met the letter of the assurance but questioned whether action taken had been fully in accordance with the spirit of the assurance. This is discussed further at paragraphs 15-17 below.

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4. Important benefits for the UK and for Scotland in particular have resulted from the acquisition. The reserves of Britoil's producing fields have been upgraded by an average of 24.5%. Exploration activity has increased significantly and development work is at a high level. Glasgow has become BP Exploration's European headquarters, concentrating new responsibilities, new activity and the direction of future business in Scotland and bringing consequential benefits to the city. BP have moved the management of their advanced diverless subsea production system (DISPS) to Glasgow and have endowed six BP Research Fellowships for post-doctorial research in Scottish Universities and Scottish Central Institutions.

5. The Committee's findings on exploration, employment in Scotland, asset sales, and the roles of the Britoil Chairman and independent directors and of the Department are discussed in the sections which follow.

Exploration

6 BP gave assurances that exploration activity for 1988 would be maintained at least at the levels already planned by Britoil and BP, and would thereafter be increased. Subject to there being no major deterioration in economic conditions, the company said it expected to spend some 300 million to 325 million a year on combined BP/Britoil UKCS exploration by 1990 and that, on this basis, it was likely that by 1990 BP would be participating with partners in up to 90 wells per annum drilled in the United Kingdom Continental Shelf (UKCS).

7 BP has substantially increased the drilling rate on Britoil acreage in 1988 and 1989 compared to each of the previous years. Expenditure has also increased. BP estimates

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that in 1990 310 million will be spent on drilling activity and 87 wells drilled on acreage held by BP or Britoil at the time of the acquisition. This includes activity on licence blocks which BP will retain as well as activity on blocks which were to be sold or farmed out to other companies. BP has also indicated that it intends to spend 30 million on exploration-related research and development.

8 The Department fully accepts it as reasonable in assessing BP's performance against the assurance to include activity on acreage subsequently disposed of or farmed out. The Committee remarked that in these cases it was up to the Department to ensure that drilling levels consistent with the assurances were maintained (paragraph 11).

9 To this end, officials have examined two transfers of BP's interests. The first, and much the largest, was the disposal of BP/Britoil assets to the newly formed Oryx Energy company. The second covered one block on which Conoco, one of BP's partners in the block, had exercised its right to pre-empt the Oryx offer to BP. The Department satisfied itself as to the financial and technical competence of Oryx, and the intention of both companies to explore and exploit the respective assets fully. Oryx and Conoco have written to the Department confirming that they intend to fulfil BP's drilling plans on the assets which they have acquired. Accordingly, Ministers gave their consent to the transfer of assets. Mr Morrison advised the Committee of the decision in his letter of 13 December.

10 The Department notes the Committee's conclusion that, subject to the proposed expenditure taking place and to the Department ensuring that drilling levels consistent with the assurances are maintained on the blocks where interests have been farmed out or disposed of, the specific assurance

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relating to exploration expenditure is likely to be met (paragraph 14).

11 The Department is also monitoring BP's progress on its farm-out proposals, and will consider the position when the outcome is known.

12 The Committee rightly pointed out that BP envisaged that exploration by BP and Britoil together could be expected to achieve enhanced levels of activity as an enduring consequence of the acquisition (paragraph 7). This expectation is one that reaches over a number of years ahead without specific reference to individual years. The Committee discussed prospects for BP's exploration plans for 1991 and went on to recommend that the Department extend monitoring by a further year (paragraphs 13-14). The specific quantified commitments BP made relate, however, to the period 1988-90 and the Department has no basis to seek to obtain at this stage from BP and then to monitor specific further commitments covering an additional year.

Employment

13 BP's assurance was that overall employee numbers in Aberdeen and Glasgow, taking BP and Britoil together, would not fall as a result of the acquisition. BP has made clear both to the Department and to the Committee that the combined staff numbers in Aberdeen and Glasgow, after the implementation of the restructuring, will remain higher than at the time of the purchase of Britoil. On this basis, the Department is satisfied that the terms of the assurance have been met.

14 The Committee records the general welcome for the transfer of jobs flowing from BP's fulfilment of its commitment to transfer its exploration headquarters to

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Glasgow, and noted Sir Robin Duthie's statement that the transfer of staff from London had had a significant positive impact on the city of Glasgow (paragraph 23). This move has resulted in an enhancement of Scotland's role in the North Sea industry.

15 The Committee was satisfied that BP had complied with the letter of the assurance on employment, but expressed doubt as to whether BP's action fully accorded with the spirit of the assurance (paragraphs 24 and 26).

16 The Committee quoted a letter of 12 February 1988 from Mr Butler, then Chairman of BP Exploration, responding to an inquiry from Mr Salmond about the company's publicly declared intentions. The letter said that expansion envisaged in existing development plans for BP was independent of Britoil's activities, that it did not affect the perception of employment in Britoil and that BP had yet to examine the position in Glasgow with Britoil's management. The Committee took the view that this letter should be regarded as having the same force as the assurances (paragraph 21) and proposed that BP's performance should be assessed against the additional test of whether combined BP/Britoil employment exceeded employment by the two companies at the time of acquisition including BP's plans for expansion.

17 The Department is grateful to the Committee for drawing this correspondence to its attention. As the Committee acknowledge, Mr Butler's letter did not form part of the assurances given by the company to the Government, which the Department has monitored and with which BP's performance and plans comply. The Committee were unable to reach a definite conclusion as to BP's performance against the additional test they proposed, pointing out that combined BP/Britoil employment does substantially exceed

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employment by the two companies at the time of the acquisition, and that the numerical increase in employment which could have been expected to result from BP's expansion plans as they stood at the time of acquisition is uncertain (paragraph 24).

18 The Department welcomes, as did the Committee (paragraph 18), BP's announcement of a 560 million expansion at Grangemouth, which would employ up to 2650 during construction, as an example of BP's contribution to the Scottish economy.

Asset sales

19 BP's undertaking was that Britoil would not, except in the ordinary course of trading, dispose of the whole or any substantial part of Britoil's assets either by a single transaction or by a series of transactions. It was implicit in the assurance that after an acquisition on the scale of that of Britoil, BP might find that some of its new acreage did not fit well into its business strategy and that it would not be reasonable to expect BP to retain the Britoil portfolio unchanged. The Committee accepted that trading of assets has been a common feature of the oil industry, both in the UK Continental Shelf and world-wide (paragraph 29) and recognised the major contribution international companies have made to the development of the UKCS (paragraph 32).

20 BP have sold \$610 million of Britoil's UKCS assets as part of a \$1.3 billion sale of BP/Britoil assets, mainly to Oryx Energy. The Committee found that there was room for debate about whether the scale of the sale to Oryx fell within 'the ordinary course of trading'. They concluded that further substantial sales would not be consistent with the assurances (paragraphs 30 and 31).

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21 The Department agrees with the Committee on the importance of testing carefully whether BP's proposals met the criteria defined in the assurance. It considered with particular care whether the sale of 610 million worth of assets lay within the normal scale of dealings in the oil sector, both in the UK Continental Shelf and overseas, and by a large international company such as BP which regularly trades assets. The Department concluded that the asset value concerned was not so large as to fall outside the ordinary course of trading, in the particular context of UKCS activity and of BP, who have assets of over 20 billion and annual after-tax earnings in excess of 1 billion.

22 The Department also considered with particular care whether the proposed sale involved a substantial part of Britoil's assets and concluded that, at 12% of Britoil's recoverable reserves with a larger, though declining proportion of production from existing producing fields, it did not. The Committee noted BP's statement that the currently producing fields will represent a smaller proportion in five years' time because the fields are mature and in decline, but drew attention to Oryx's reported statements about its intention to increase output across the worldwide portfolio it was purchasing from BP (paragraph 28). While Oryx will no doubt work to develop new prospects and work with the operators to enhance recovery as far as possible in the five producing UKCS fields in which it has acquired Britoil's interest, those fields remain in decline.

The role of the independent Britoil Chairman and directors

23 The Department notes the Committee's view that the independent Chairman and directors of Britoil, appointed within the terms of the assurances, were not party to them, and that their duties extended beyond ensuring compliance.

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The Committee therefore considered that they were entitled to weigh the longer term interests of BP and the Scottish economy against the assurances (paragraph 36).

The role of the Government

24 The Committee observed that some of the assurances were general in character and that others contained qualifications (paragraph 6). They also expressed dissatisfaction with the undefined duration of the assurances (paragraph 40).

25 The assurances related primarily to BP's work programme in the North Sea and its plans in Scotland. Some were necessarily and properly general in character. Others were specific and quantifiable. On reserves, for example, where the object was to apply BP's worldwide expertise quickly, and the average time needed for such studies was known from experience, it was possible and appropriate to set measurable targets. BP undertook to present to the Department within nine months of the acquisition the conclusions of an immediate technical evaluation of the Britoil-operated producing fields, and to increase recoverable reserves by 5%. In fact, BP achieved an overall increase of 24.5%.

26 In other areas, more general or qualified assurances were appropriate, either because of the nature of the issue being addressed or because, as the Committee recognised, it was reasonable to give a company such as BP, operating in a competitive environment, some leeway to adapt to changing circumstances (paragraph 38). The Department does not believe that it would be practicable to seek to cover all relevant matters by means of specific, quantifiable commitments. Nor does the Department accept the approach suggested by the Committee of having very detailed

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assurances, variable at the Secretary of State's discretion, in all areas where that approach could be applied (paragraph 38). This would be likely to involve an undue degree of intervention in the management of the company over minor matters. In more important areas where some flexibility was left, such as asset sales, the approach would hold out little advantage compared with the procedure followed, under which BP necessarily consulted the Department and Ministers made known their decision and the reasons for it.

27 The Committee commented that it was not convinced that the Department had struck the correct balance between BP's freedom to manage efficiently and BP's duty to abide by the assurances, suggesting that there should have been more emphasis on the latter (paragraph 39).

28 The Department, like the Committee, has found that BP has complied with the assurances as given, and is not clear what additional emphasis the Committee would have wished it to give to BP's duty to abide by the assurances. The Department has closely monitored BP's compliance with the assurances. Officials have met BP at regular intervals to evaluate progress towards fulfilling these commitments. This detailed scrutiny has included analysis by relevant experts, including members of the Department's Petroleum Engineering Division, and has, where appropriate, involved checking BP data against the Department's own sources of information. The Department doubts whether further independent checks of data supplied by BP would add anything of significance to its own monitoring and to the scrutiny which has been carried out by the Committee.

The Special Share

29 The Committee's recommendation was that bearing in mind the unspecific nature of many of the assurances and the

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difficulty in monitoring them, the Government's Special Share in Britoil, should remain in existence for the time being (paragraph 40).

30 Sir Peter Middleton said in his letter of 23 February 1988 replying to Sir Peter Walters' that after a period of time the Government would review when the Special Share should be redeemed, in the light of the way the assurances had operated. Mr Lawson gave an undertaking that the House of Commons would be informed before redemption took place (Hansard, 31 March 1982, Column 333). The Committee recognise that it would not be reasonable to hold BP accountable to Government for its performance in relation to the assurances for an indefinite period (paragraph 40). When Britoil was originally set up in 1982, the then Secretary of State for Energy told the House that "the special rights should not provide an opportunity for backdoor interference in the affairs of the company" (Hansard, 31 March 1982, Column 334). It would be difficult for extended monitoring not to shade into unacceptable intervention in commercial decisions.

31 The Department's approach to monitoring has paid particular regard to the discharge of the specific work programme and other commitments BP made in Sir Peter Walters' letter of 23 February 1988. Most of those commitments have been met. In the case of the exploration assurance, the Committee were satisfied that BP is on course to meet its target in 1990. Some outstanding matters remain to be resolved, notably in relation to BP's proposed farm-outs (paragraph 11 above).

32 The Department is currently satisfied that BP has complied with its assurances to date. It would need to be satisfied that BP was on course to fulfil the 1990 exploration assurance, and that its management remained

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committed to the assurance, before taking the decision to redeem the Special Share. If this requirement is met and if BP continue to comply with the assurances in all other respects the Department would anticipate being in a position [during the summer of this year,] to be able to conclude that the objectives of the assurances had been met, and accordingly to redeem the Special Share.

CONFIDENTIAL



me pm
(73)
ccp

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

16 January 1989

BP EGM: VOTING ON THE TREASURY HOLDING

The Prime Minister has seen the Chancellor of the Exchequer's letter of 12 January to your Secretary of State. The Prime Minister agrees with the course of action proposed by the Chancellor.

I am copying this letter to Alex Allan (H.M. Treasury), Stephen Wall (Foreign and Commonwealth Office) and Stephen Haddrill (Department of Energy).

Paul Gray

Neil Thornton, Esq.,
Department of Trade and Industry.

CONFIDENTIAL

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PRIME MINISTER

BP EGM: VOTING ON THE TREASURY HOLDING

The Chancellor's letter of 12 January attached reports his view that the Treasury should exercise its right at the BP EGM on 31 January to vote by proxy the Treasury's BP shares in support of the proposed buy back of the KIO shares.

I gather Lord Young has not yet had a chance to consider ~~a~~ ^{the} proposal, but will be doing so over the weekend. I am told he is being advised that the proposed action is legally sound (as the Treasury Solicitor has advised the Chancellor), and that the issue is essentially a political one.

It seems to me that whatever action the Treasury takes with its shares, it is open to criticism. The ideal position would perhaps be for the Treasury not to vote its shares, confident in the expectation that other shareholders would vote through the deal; but there is no way of knowing that this would be so. On balance, the Chancellor's proposal is probably the best available course.

Content to let the Chancellor and Lord Young sort this out?

OR

Do you want to intervene?

I agree with the Chancellor.
ms

Becc.

PAUL GRAY

13 January 1989

DASATH

cc p/j



Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

12 January 1989

The Rt Hon The Lord Young of Graffham
Secretary of State for Trade and Industry
1 Victoria Street
LONDON
SW1E 6RB

A handwritten signature in dark ink, appearing to be 'John Young', written over the typed name of the Secretary of State.

BP EGM: VOTING ON THE TREASURY HOLDING

As you know, the BP EGM on 31 January will decide whether to accept the Board's recommendation to buy back, and cancel, 790 million BP shares held by the KIO.

I have decided that the Treasury's 106 million BP shares should be voted by proxy in support of the Board. I know that you are rightly concerned that the Government should not actively lobby for adoption of the deal and I set out below why I think the shares should be voted in this way.

Our practice has always been to vote by proxy in support of the Board. But the 1987 sale prospectus stated, with reference to those shares retained by HMG to satisfy expected bonus entitlements, that:-

"HMG does not intend to exercise any of the voting rights attaching to the shares so withdrawn although it reserves the right to do so".

The qualification at the end of the sentence means that as a matter of law we could vote these shares. The question is whether, as a matter of policy, we should.

The undertaking applies to 67.7 million shares out of our total BP holding of just over 106 million. We also hold the 38.5 million partly paid shares which we took over from the Bank.

We hold 1.74% of total shares, or 2.2% of the total excluding the shares of the KIO who have undertaken not to vote at the EGM. But



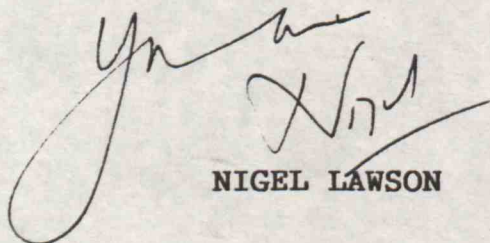
historically only around 14% of non HMG shares have been voted at EGMS - one of the main factors underlying BP's concern over the KIO holding. Given the interest in the present proposal, the percentage might be higher. Even so the exercise of our vote might turn out to be significant, though we do not know whether it will. BP need 75% of the votes from those attending plus the proxies.

It is arguable that the Government should abstain from voting but on balance I am satisfied that we should vote in support of the Board for the following reasons:-

- (i) The deal, which has been freely negotiated between BP and the KIO, would give full and early effect to an MMC recommendation which the Government has accepted as being in the public interest. It would therefore be perverse not to vote the Government's shares in support of the Board. And, in the exceptional circumstances leading to this special resolution, it is reasonable to exercise the right, reserved in the prospectus, to vote.
- (ii) The Government as shareholder accepts the judgement of the BP Board that the deal is in the best interests of shareholders, and therefore of the value of its own holding.
- (iii) It is not seeking to lobby or influence other shareholders (though, if asked, Ministers will say how it is intended to vote).

If you disagree with this course of action, I would be grateful to know as soon as possible.

I am sending copies of this letter to the Prime Minister, Geoffrey Howe and Cecil Parkinson.


NIGEL LAWSON

CONFIDENTIAL
FM KUWAIT
TO FLASH FCO
TELNO 001
OF 020655Z JANUARY 89

ht

FOR PRIVATE SECRETARY

FOR WHITE ERD

YOUR PERSONAL TELEGRAM NO 346: BP/KIO

1. SHAIKH ALI KHALIFA HAS JUST TOLD ME THAT THE KUWAITI
CABINET HAS ENDORSED THE BUY-BACK DEAL. HE CONFIRMED THAT
THE PUBLIC ANNOUNCEMENT WOULD BE MADE AT 1445Z ON 3 JANUARY.

HINCHCLIFFE

YYYY

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SIR D MIERS

ADDITIONAL 8

~~MR POWELL NO 10 DOWNING ST~~
~~MR TREADGOLD DTI VIC ST~~
PS/LORD YOUNG
PS/MR PARKINSON

PS/CHANCELLOR OF EXCHEQUER
MR D DAVIS D/EN
MR D MOORE HMT
MR R ALLEN DTI VIC ST

NNNN

PART

6

ends:-

DTI

to

FCO

30-12-88

PART

7

begins:-

Kuwait

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Grey Scale #13



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