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The Rt Hon Peter Rees QC MP
 Chief Secretary to the Treasury
 Treasury Chambers
 Parliament Street
 LONDON
 SW1P 3AG

20 February 1984



BGC CORPORATE PLAN

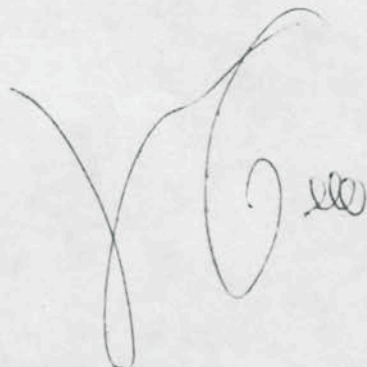
Thank you for your letter of 2 February.

Your letter expresses some surprise at the two factors bearing on gas pricing mentioned in my letter of 19 January which have emerged since last September. Of course I accept that the BGC financial targets agreed between us were also agreed to be subject to review in the light of the pricing policy review. But it is going too far to say that the targets have no bearing on the work or the decision. The fact is that these targets are now public and they will influence public and Parliamentary reaction to any attempt we make to secure price changes which BGC resist.

On privatisation, I think it rather clear what the nature of the constraint is likely to be. It would not be politically attractive to associate privatisation with any large or exceptional price increases.

On exports I too hope that the Law Officers will shortly be able to help us so that the work can be brought to a conclusion.

I am copying this letter to those who received yours.



PETER WALKER



Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Peter Walker MP
 Secretary of State for Energy
 Department of Energy
 Thames House South
 Millbank
 LONDON
 SW1P 4QJ

DF
3/2/84
 2 February 1984

Dear Secretary of State,

BGC CORPORATE PLAN

CST 9/15/83/energy?

Thank you for your letter of 29 December.

I note what you say about looking at pricing principles rather than the application of economic pricing. It is, of course, the latter that the Prime Minister has asked for (in the letter of 19th October from her Private Secretary to yours).

I also was surprised by your suggestion that two factors have emerged since the Prime Minister's meeting on 13 September 1983 which bear on the work on pricing. BGC's financial target is accepted by both our departments to be subject to review "in the light of the pricing policy review" (Fitzpatrick's letter to Kerr of 16 November). In these circumstances the existence of the target has no bearing on the work, and decision, on pricing. As far as privatisation is concerned, it is not clear to me that this constrains us on pricing.

Turning to gas exports and the purchase of foreign gas, my view remains as set out in my letter of 19 January. I understand the law officers now have the legal opinion they sought from an outside expert. I trust this will enable the work on exports to be brought to an early conclusion.

I am copying this to the Prime Minister, other members of E(NI) and to Sir Robert Armstrong.

yours sincerely
PR

PETER REES
 (approved by the Chief
 Secretary & signed in
 his absence).

Nationalized Industries : Bhuj A-8.

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