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The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
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19 March 1985

Nigel

with AT?

Thank you for your letter of 18 March. We have succeeded in making the announcement on BNOC with the minimum of disruption in the market, with no hostility from OPEC, and with the Parliamentary Party pleased with the result.

We have achieved this by careful briefing of all those concerned and very careful handling of the major OPEC members.

I think it would be disastrous suddenly to announce a lower price for March. Not only will it create a hostility throughout OPEC, particularly from Saudi Arabia and Nigeria, but it would also create considerable objections from a number of oil companies - including, I am advised, the possibility of a successful legal challenge.

To create bad will with such companies must be wrong when I shall be relying on their co-operation to phase out their existing contracts with BNOC.

The financial implications for you are minute when you consider that 75% of any loss is recouped through the tax system.

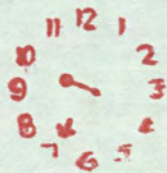
I therefore hope you will agree that we maintain a March price of \$28.65 and move to a market-related basis during the wind-down period from 1 April.

I am copying this letter to the Prime Minister and Geoffrey Howe.

PETER WALKER

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