

JJ149

RESTRICTED  
COMMERCIAL IN CONFIDENCE



MINISTRY OF DEFENCE

Main Building, Whitehall, London SW1A 2HB

Telephone (Direct Dialling) 01-218 6748

(Switchboard) 01-218 9000

Assistant Under Secretary of State  
(Defence Export Services Administration)

C H HENN

516/1  
~~Office~~  
Please copy to  
Mr Yamani  
Mr Ritchie  
(2) UP  
As confirmed  
at EGC  
Rev 3/1  
CH/19/1/1(39)

P Henley Esq  
Export Credits Guarantee Department  
PO Box 272  
Aldermanbury House  
Aldermanbury  
London EC2P 2EL

27 January 1986

*Sean Henley*

SAUDI ARABIA - MILITARY AIRCRAFT FOR OIL

On returning from Saudi Arabia this morning I have seen a copy of your letter of 24 January to Adams.

I ought to put it on record that an agreement was signed yesterday in Riyadh by Yamani and by Shell and BP representatives providing for the lifting of 300,000 barrels/day for an initial period of 3 years. It will then continue year by year unless either party terminates. The 300,000 includes lifting East of Suez. The funds generated will be dedicated to the military aircraft project and Shell/BP stated their intention to carry on lifting so long as the aircraft project requires. There are of necessity review and escape clauses but all concerned are well aware of the need for stable funding and Shell/BP would in practice only terminate in extremis.

I should stress that the existence as well as the terms of this agreement is a matter of some political as well as commercial sensitivity.

I should be glad to expand on the above.

*Charles Henley*

COMMERCIAL IN CONFIDENCE  
RESTRICTED