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FORUM

Thatcher's North Sea: The Return of Cheap Oil and the 'Neo-liberalisation' of European Energy

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This article will focus on the prominent role played by the British Conservative government, guided since 1979 by Margaret Thatcher, in re-launching globally an energy model based on cheap fossil fuels by leveraging the newly available petroleum extracted in the North Sea. Between 1980 and 2010 global oil consumption increased by 50 per cent, while both coal and natural gas consumption nearly doubled. North Sea oil represented a crucial, if never openly acknowledged, ally for Thatcher, serving the purpose of bringing down oil prices, while at the same time achieving other crucial policy goals.The advent of the British North Sea oil weakened OPEC control of the global oil market, helped crush the resistance of the British coal miners, fed the 'de-nationalisation' of British energy sector, and then contributed to promote the 'neoliberal governance' of the EU energy sector.

> This election is about the future of Britain – a great country which seems to have lost its way. It is a country rich in natural resources, in coal, oil gas and fertile farmlands.[1]

The 1973 'oil shock' inaugurated a decade of energy policy activism by the countries of the Organization for Economic Cooperation and Development (OECD).[2] Key aims were to fight inflation and to avoid the risk of a repetition of the 1974–5 economic recession.[3] This was to be achieved by reducing dependence on OPEC (Organization of the Petroleum Exporting Countries) oil, by diversifying energy sources and by improving energy efficiency. Some sectors of the western European left also pushed for a new development model aimed at limiting 'maximum growth' and consumerism while focussing on resource conservation and investing in 'collective goods' such as public transport.[4] The oil shock triggered initiatives to secure petroleum supply through state to state deals with the

[1] This is the first sentence of the 1979 Conservative election manifesto: https://www.cvce.eu/content/publication/2003/6/12/7c9106be-4fae-4c69-af45-19870c503a22/publishable_en.pdf (consulted on 30 Nov. 2021).

[2] Rüdiger Graf, *Oil and Sovereignty. Petro-Knowledge and Energy Policy in the United States and Western Europe in the 1970s* (New York: Berghahn, 2018); Henning Türk, 'The Oil Crisis of 1973 as a Challenge to Multilateral Energy Cooperation among Western Industrialized Countries', *Historical Social Research*, 39, 4 (2014), 209–30.

[3] Laurent Warlouzet, *Governing Europe in a Globalizing World: Neoliberalism and its Alternatives Following the 1973 Oil Crisis* (London: Routledge, 2019), Chapter 1.

[4] The President of the European Commission in 1972, the Dutch Socialist Sicco Mansholt, asked EC partners to 'stop directing our economic system to the search for maximum growth and to constant increase in the gross national product'. Letter to Franco Maria Malfatti (President of the EC Commission), Brussels, 9 Feb. 1972: https://themansholtletter.het-nieuweinstituut.nl/sites/default/files/brief_mansholt_malfatti_en1.pdf (consulted on 9 Dec. 2021). The debate among European socialist heavyweights on a new 'development model' can be found in: Gaetano Arfè, ed., *Brandt, Kreisky, Palme: Quale Socialismo per l'Europa* (Cosenza: Lerici, 1976). On 'decoupling' energy growth from GDP growth: Stephen G. Gross, 'Reimagining Energy and Growth: Decoupling and the Rise of a New Energy Paradigm in West Germany, 1973–1986', *Central European History* 50, 4 (2017), 514–46. See also: Duccio Basosi, 'The Decade of "The Energy Transition": A Critical Review of the Energy Debates of the 1970s', in Stephen Gross and Andrew Needham,

newly-formed national oil companies of oil-exporting countries.[5] Western European governments looked, even beyond petroleum, into schemes to stabilise raw material prices, so as to guarantee at the same time security of supply for industrialised consumers as well as income stability for commodity exporters.[6]

This article deals with the prominent role played by the British Conservative government, guided since 1979 by Margaret Thatcher, in re-launching an energy model based on cheap oil (between 1980 and 2010 global oil consumption increased by 50 per cent!) by leveraging the newly available petroleum extracted in the North Sea.[7] North Sea oil represented a crucial, if never openly acknowledged, ally for Thatcher (according to Robert Skidelski, it was the first of her 'strokes of luck'), serving more than one strategic goal at once.[8]

The advent of North Sea oil weakened the market power of OPEC exporters and torpedoed the already uphill negotiations over the establishment of a New International Economic Order (NIEO) aimed at a global redistribution of wealth towards the developing countries and raw materials exporters of the Global South.[9] Brent crude, a quality of oil extracted in the British North Sea, would become the most important benchmark for global oil trade, with 'paper barrels' taking over the price structure based since the early 1970s on OPEC 'basket price'.[10] At the same time, the North Sea allowed the British Conservatives to forward their cherished 'de-nationalisation' (later referred to as 'privatisation') of the commanding heights of the economy. British privatisations during the Thatcher government were the most important in the world by value, with those in the hydrocarbons sector alone accounting for half of the total revenues.[11] This was especially important given that British 'nationalisations', particularly in the energy sector, had been a key episode of the advent of the 'mixed-economy' in western Europe.[12] North Sea hydrocarbons were also instrumental in the victorious battle against the National Union of Mineworkers (NUM), the most powerful trade union in the United Kingdom, and thus in the weakening of labour power in general.

The article makes two broader historiographical claims, directed both at the energy historiography and at the ever-widening debate on the rise of neoliberalism. The first is that energy regimes are not just the outcome of technological advances, coupled with the availability of natural resources. They are

eds., *Toward a New Energy History: Energy Transitions in Europe and America during the Twentieth Century* (Pittsburgh: Pittsburgh University Press), 1–15.

5 Stephen A. Schneider, *The Oil Price Revolution* (Baltimore: Johns Hopkins University Press, 1983), 253–99.

6 An example was the launching of the STABEX mechanism for agricultural products included in the Lomé Convention signed in 1975 between the European Community (EC) and a number of countries from Africa, the Caribbean and the Pacific (ACP). Another example was the negotiations for the creation of a common fund for commodities during the Conference for International Economic Cooperation (CIEC) held in Paris between 1975 and 1977. On STABEX: Giuliano Garavini, 'The EC's Development Policy: The Eurafrica Factor', in U. Krotz, K. K. Patel and F. Romero, eds., *Europe's Cold War Relations. The EC Towards a Global Role* (London: Bloomsbury, 2020), 201–30. On the negotiations for the common fund: Michael Franczak, *Global Inequality and American Foreign Policy* (Ithaca: Cornell University Press, 2022).

7 Data on global primary energy consumption can be found here: https://ourworldindata.org/energy-mix (consulted on 17 Jan. 2022).

8 Robert Skidelsky, *Britain Since 1900: A Success Story?* (London: Vintage, 2014). As noted by Chistopher Harvie, petroleum has no place in the biographies of Margaret Thatcher: Christopher Harvie, *Fool's Gold: The Story of North Sea Oil* (London: Hamish Hamilton, 1994). This is all the more surprising since Thatcher's husband, Denis Thatcher, worked until retirement for Burmah Oil, an oil company that would eventually be acquired by BP.

9 On the NIEO: Special Issue, *Humanity Journal*, Vol. 6, Issue 1, 2015.

10 Robert McNally, *Crude Volatility. The History and the Future of Boom-Bust Oil Prices* (New York: Columbia University Press, 2017), Chapt.7.

11 Statistics on privatisations can be found in: House of Commons, *Privatisation*, Research Paper 14761, 20 Nov. 2014. Privatisations are one of the most distinctive 'neoliberal' measures. Most of the recent literature on British privatisations neglects the importance of the hydrocarbons sector, even when it deals with the privatisation in the energy sector: James Meek, *Private Island: Why Britain Now Belongs to Someone Else* (London: Verso, 2015).

12 On the importance of British nationalisations/privatisations: David Parker, 'State-Owned Enterprise and Privatisation: Some Lessons from the UK', in L. Bernier, M. Florio and P. Bance, eds., *The Routledge Handbook of State-Owned Enterprises* (New York: Routledge, 2020), 128–45.

the result of political, social and geopolitical confrontations that underlie policy decisions, and of shifting cultural mind-sets that take place in pivotal geographical contexts.[13] The second argument is that while ideological and political shifts were crucial to the advent of a 'neoliberal regime', a key role has been played by availability of natural resources, fossil fuels in particular.[14] David Harvey has already spoken of the importance of 'accumulation by dispossession' of publicly held assets, while Timothy Mitchell has advanced a general argument about how oil contributed more than coal to the creation of what he calls an 'economy' detached from labour and democratic control.[15] A more specific argument on the British North Sea has been recently advanced by Brett Christophers. He argues that 'carbon neoliberalism' and British North Sea revenues ('North Sea tax receipts came to Thatcher's rescue') have been pivotal in placating the 'widespread social unrest' potentially generated by the 'immiseration' of the British working class in the early 1980s.[16] I take the cue from Christophers (but also from previous research conducted by myself and a group of colleagues on the 'oil counter-revolution' of the 1980s) and try to build a coherent and informed narrative as to how the North Sea weakened OPEC control of the global oil market, helped crush the resistance of British coal miners, fed the 'de-nationalisation' of the British energy sector, and then contributed to promote the 'neoliberal governance' of the EU energy sector.[17]

The United Kingdom Continental Shelf: The Making of the 'Freest' Oil Province in the World

By the end of the 1970s the United Kingdom was widely held as a declining military and economic power, a country plagued by political extremism and widespread violence.[18] Together with Italy, it was often referred to as the 'sick man of Europe'. One important difference between the two countries was the pivotal role played by the United Kingdom in the global fossil fuel regime. Not only coal production and exports had been crucial for the expansion of the British Empire, but after the Second World War the British state directly controlled some of the largest coal reservoirs in the world (National Coal Board); monopolised electricity generation and transmission (Central Electricity Generating Board) and natural gas production and distribution (British Gas); was the majority shareholder of British Petroleum (BP), with another 'oil major' (Shell) also based in the United Kingdom.[19] By the end of the 1970s, the United Kingdom and the United States alone had been responsible for 50 per cent of the cumulative global CO_2 emissions since 1750.[20]

13 Many scholars now highlight the crucial political and social underpinnings of different energy regimes: Christophe Bonneuil and Jean-Baptiste Fressoz, *The Shock of the Anthropocene: The Earth History and Us* (New York: Verso, 2017); Andreas Malm, *Fossil Capital: The Rise of Steam Power and the Roots of Global Warming* (New York: Verso Books, 2016). The forthcoming book *Carbon* by Adam Tooze will also stress the geopolitical and international economy structures allowing the rise of fossil fuels and influencing the recent trend towards 'decarbonisation'.

14 Recent literature on the rise of 'neoliberal regime(s)' does not refer to the importance of the North Sea, even while pointing to the 'energy crisis' of the 1970s as a pivotal event in influencing political, cultural and economic shifts: Fritz Bartel, *The Triumph of Broken Promises: The End of the Cold War and the Rise of Neoliberalism* (Cambridge, MA: Harvard University Press, 2022); Gary Gerstle, *The Rise and Fall of the Neoliberal Order: America and the World in the Free Market Era* (New York: Oxford University Press, 2022).

15 David Harvey, *A Brief History of Neoliberalism* (Oxford: Oxford University Press, 2007); Timothy Mitchell, *Carbon Democracy. Political Power in the Age of Oil* (London: Verso, 2013).

16 Brett Christophers, *Rentier Capitalism: Who Owns the Economy, and Who Pays for It?* (London: Verso, 2020).

17 D. Basosi, G. Garavini and M. Trentin, eds., *Counter-Shock: The Oil Counter-Revolution of the 1980s* (London: IB Tauris, 2018).

18 Kenneth O. Morgan, 'Britain in the Seventies – Our Unfinest Hour?', *Revue Française de Civilisation Britannique*, XXII – Hors série, 2017: https://journals.openedition.org/rfcb/1662 (consulted on 10 Dec. 2021).

19 Jonathan Kuiken, 'Ignoring, Countering and Undercutting OPEC: Britain, BP, Shell and the Shifting Global Energy Order (1960–1986)', in Dag Harald Claes and Giuliano Garavini, eds., *Handbook of OPEC and the Global Energy Order: Past, Present and Future Challenges* (London: Routledge, 2020). Robert Millward, 'The Nature of State Enterprise in Britain', in F. Amatori, R. Millward and P. A. Toninelli, eds., *Reappraising State-Owned Enterprise* (New York: Routledge, 2011), 16.

20 Bonneuil and Fressoz, *The Shock of the Anthropocene*, 76.

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The OPEC nationalisations in the early 1970s had deprived the oligopoly of the international oil companies, including BP and Shell, of most of their access to oil. Britain, after the 1968 decision to pull back its military forces from 'East of Suez', seemed doomed to a declining role as an oil power. Emboldened by the increasing oil prices in December 1973, the miners of the National Union of Mineworkers (NUM) voted in February 1974 for a strike that decisively contributed to the defeat of the Conservative government guided by Edward Heath during the general election that year. Organised labour had answered to Heath's campaign slogan 'Who Governs Britain?' by advocating for the re-launching of the domestic coal sector. Joe Gormley, President of NUM, declared to the BBC that, since 'supplies of cheap oil are finished forever', Britain would need 'more of our indigenous energy sources to fill the gap'.[21]

The discovery, and eventually the exploitation, of the North Sea oil and gas fields in the UK continental shelf (UKCS), the most important new discoveries in the world together with those in Prudhoe Bay in Alaska, in Mexico and in the Norwegian sector of the North Sea, threw the country once again into the spotlight of global oil production. Indigenous supplies would fill the gap left open by the energy crisis; but it would not be coal.

BP had struck the Forties oil field in 1970. Most exploration permits and concessions had been secured by US companies with more experience than BP in offshore drilling. The number one priority of the British exploration effort was speed: The government was happy to let the oil companies, British or foreign, get on with their business as quickly as possible in favourable conditions.[22] A side effect of this 'speed policy' was that the United Kingdom, in order to avoid dragging on negotiations, agreed with the Norwegian government to be left with juisdiction over 46 per cent of the North Sea, even though the UKCS potentially extended closer to the Norwegian coast.[23] When oil prices quadrupled in 1973, North Sea oil production became not only commercially viable but also a potentially generous source of rent. International discourse on natural resources was then dominated by resource nationalism and by widespread fears of natural resource depletion.[24] The availability of petroleum was viewed as a blessing, rather than a curse. In 1975 the Forties field came on-stream. 'God has given Britain her first opportunity for a hundred years in the shape of the North Sea oil', claimed Labour Prime Minister James Callaghan when he first visited the open-water platforms in 1977.[25]

The Norwegian government had solemnly implemented since the early 1970s a nationalist governance of the oil industry based on high taxation, a moderate 'depletion rate' (the pace of oil extraction), and the creation of a state oil company (STAOIL). The state company was supposed to dominate oil extraction to become the pillar of the Norwegian oil industry and, through its procurement policy, also to act as promoter of Norwegian technology and as a boost to local employment. The United Kingdom, on the other hand, faced significant challenges in designing a coherent oil policy, let alone a nationalist one.[26] The British government already held a majority stake in BP (although this was run on a strict commercial basis), while Shell could be considered a partly British company. The need to build up a national oil champion was thus felt less strongly than in Norway. The resistance of fossil capitalism against state intervention was much stronger. The second challenge was the difficulty of thinking about petroleum in terms of securing land rent, by maximising state income from

[21] James Marriot and Terry Macalister, *Crude Britannia: How Oil Shaped a Nation* (London: Pluto Press, 2021), 68.

[22] As noted by Martin Chick, before the tightening of fiscal conditions in 1975: 'On central price assumptions, in 1980 the companies' returns in the North Sea were thought likely to be £7 per ton, with a UK government take of about £8 per ton (assuming 50% corporation tax and no depreciation or interest) compared with just over £1 in the OPEC case, with the OPEC governments' take of £11'. Martin Chick, 'Property Rights, Economic Rents, BNOC and North Sea Oil', in Amatori, Millward and Toninelli, eds., *Reappraising State-Owned Enterprise*.

[23] Mike Shepherd, *Oil Strike North Sea. A First-Hand History of North Sea Oil* (Edinburgh: Luath Press, 2015), 33.

[24] Giuliano Garavini, *The Rise and Fall of OPEC in the Twentieth Century* (Oxford: Oxford University Press, 2019).

[25] Quoted in: Harvie, *Fool's Gold*, 2.

[26] A comparison between Norwegian and British oil governance: Eivind Thomassen, 'Taking a Leaf out of OPEC's Book? The Significance of Developing Producer Country Models for State Involvement in North Sea Oil Production', in Claes and Garavini, eds., *Handbook of OPEC and the Global Energy Order*.

resource extraction and by natural resource conservation. Some of the key founders of classical political economy, from Adam Smith to David Ricardo, came from the British Isles and, while placing land rent as one of the three factors of production (together with capital and labour), charged it with all the negative moral connotations that are still today associated with 'rentiers'.[27] Still in the 1970s, the Minister for Energy, Tony Benn, was quite isolated when he responded to EXXON's CEO's musings against high taxation that, when it came to oil and gas: 'you're just tenant farmers. You can harvest it – and for a profit – but we'll tell you how much the profit will be'.[28] On the other hand in offshore Scotland, where the oilfields were located, vocal segments of politics and society were asking for a stronger nationalist approach to the exploitation of natural resources. A very popular Scottish play of the middle of the 1970s testifies to those pressures:

> TEXAS JIM: Good thinking, good thinking. Your wonderful labourite government was real nice. Thank God they weren't socialists.
> MC1: The Norwegian Government took over 50% of the shares in exploration of their sector.
> MC2: The Algerian Government controls 80% of the oil industry in Algeria.
> MC1: The Libyan Government are fighting to control 100% of the oil industry in Libya.
> WHITEHALL: Our allies in NATO were pressing us to get the oil flowing. There were the Reds under the Med. Revolutions in the Middle East.
> TEXAS JIM: Yeah, Britain is a stable country and we can make sure you stay that way. (Fingers pistol)[29]

A wide policy spectrum existed in British politics during the 1970s. It ranged from a more interventionst approach embodied by Labour's Tony Benn, who argued that North Sea oil had to be viewed as an opportunity to boost the ailing British industry, to the Conservatives, who thought it best to leave all the initiative to the oil companies, letting them pump out as much crude, as quickly as possible, while generating jobs in the process. The position of Michael Meacher, undersecretary for trade in 1977, represented a 'conservationist' approach that was marginal at the time (and remains so to this day). Meacher argued that the oil income could be used in one of the following ways: As a 'bonanza', treating it as short time windfall to be redistributed to the citizenship; for 'industrial regeneration', focusing on the rejuvenation of the British industry; and finally to build a 'sustainable society' (his own preferred option) by slowing down the depletion rate and 'isolating the oil wealth from the rest of the economy in a special investment fund'.[30]

The clash among diverging policy options, combined with the then prevailing popular diffidence towards multinational corporations, generated a very peculiar 'governance' of the British North Sea. Oil companies would benefit from a relatively lax fiscal regime, both when compared to OPEC countries but also to neighbouring Norway, since they would be allowed to recoup all their investments before paying any taxes, and since they were left with significant profits after taxes. In terms of depletion management, the secretary for Energy Eric Varley formally assured the companies in 1974–5 that there would be no production delays for the fields discovered up the end of 1975 and that no production cuts would be implemented before 1982 – cuts could take place, anyway, only once 150% of the capital initial investment had been recouped.[31] The United Kingdom created in 1975 its own state oil

[27] A sophisticated analysis of the enduring importance of land rent, with a focus on petroleum, can be found in: Bernard Mommer, *Global Oil and the Nation State* (Oxford: Oxford Institute for Energy Studies, 2002). On the same topic by the same author in Spanish: Bernard Mommer, *Recursos naturales y globalización* (Caracas: Universidad Católica Andrés Bello, 2022).

[28] Quoted in this excellent MSc thesis: George Edwards, *The State of the North Sea. Thatcherism and the Fossil Economy*, Lund University, 2020.

[29] John McGrath, *The Cheviot, the Stag, and the Black, Black Oil* (London: Bloomsbury, 2015), 150.

[30] The National Archives (TNA), FCO 96/1032, Michael Meacher, *The Use of North Sea Oil*, Dec. 1977.

[31] Alex Kemp, *The Official History of North Sea Oil and Gas. Vol. 1: The Growing Dominance of the State* (London: Routledge, 2012), 530–65.

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company, British National Oil Corporation (BNOC), in order to guarantee direct state participation in the oil industry, something that was then considered essential in all oil-producing countries, including liberal Canada (the only exception being the United States). But, caving into the opposition of the oil companies and the Conservatives, BNOC was never allowed to own equity in the fields (contrary to STATOIL and the rest of state oil companies). It had to content itself with the right to purchase 51 per cent of the oil produced in the UKCS at market prices.[32] Andrew Shonfield argued in 1976 that BNOC could in fact best be described as a 'buyer' of North Sea crude rather than as an oil production company.[33]

When Margaret Thatcher was elected Prime Minister in May 1979 this governance of the British oil sector was already established, and the United Kingdom was extracting nearly 600,000 barrels of oil per day, on its way to becoming a net oil exporter – something that would happen as soon as 1981. As underlined by David Edgerton, after Thatcher's election, and even though this 'epochal transformation has been barely registered in political discourse or the history books', Britain became self-sufficient in food and, for the first time since 1939, even became a net energy exporter, so that it 'no longer needed to be a net exporter of manufacture to balance its needs for food and energy'.[34]

Disciplining OPEC and the Global South

The North Sea was a game-changer for the global oil market. It represented an unprecedented technological breakthrough. It was a new oil region outside the network of long-term supply contracts between OPEC state companies and their customers. The UKCS, as we have seen, had become one of the most attractive oil provinces in the world for private investments. It would establish new standards in terms of oil pricing with the rise of Brent futures contracts as a global benchmark. As Robert Mabro, the charismatic founder of the Oxford Institute for Energy Studies established in 1982, explained: At the beginning of the 1980s only Brent crude had the characteristics of relevant volume, variegated ownership, low taxation and institutional framework favourable to business, to make it appealing for traders and encourage the creation of a major financial market for petroleum futures.[35] Juan Carlos Boué also highlights the transformational and multidimensional impact of the British North Sea: on the 'technological front'; 'on an industrial economics front' with 'the genesis and expansion of forward and futures markets for Brent crude oil at the forefront of marketisation and financialisation processes'; for bringing about 'the demise of the administered price structure that OPEC had sought to erect after its most important members began to sell directly the oil'; and, finally, since it 'was also at the forefront of the process of redefinition of the economic frontiers of the State'.[36]

The rise of North Sea crude production contributed to side-lining the hype of the 1970s about the impending energy crisis, with the accompanying fear of natural resource depletion.[37] It supported Thatcher in her ideological and economic battle against the forces that restrained free markets: both the alliance of Third World countries that were still demanding a global redistribution of wealth towards raw materials producers and the 'western Marxists', as Thatcher defined British trade unionists and Labour militants, that hindered private entrepreneurship.

By the beginning of the 1980s talks of 'appeasement' with natural resource exporters and ambitions to stabilise commodity prices became slogans of a bygone era. During the 1970s, developed and

[32] Kemp, *The Official History of North Sea Oil and Gas. Vol. 1*, 390–430.
[33] Andrew Shonfield, 'Enfeebled Government', *The Listener*, 96, 1976.
[34] David Edgerton, *The Rise and Fall of the British Nation: a Twentieth-Century History* (London: Allen Lane, 2018).
[35] Paul Hornell and Robert Mabro, *Oil Markets and Prices: The Brent Market and the Formation of World Oil Prices* (Oxford: Oxford University Press, 1993), 1–31.
[36] Juan Carlos Boué, 'The 1973 Oil Shock and the Institutional and Fiscal Framework for Petroleum Exploration and Production Activities in the UK North Sea', in A. Beltran, E. Bussière and G. Garavini, eds., *L'Europe et la question énergétique. Les années 1960/1980* (Brussels: Peter Lang, 2016), 233–53.
[37] Donella H. Meadows, Dennis L. Meadows, Jergen Randers, and William W. Behrens III (eds), *The Limits to Growth: A Report for the Club of Rome's Project on the Predicament of Mankind* (New York: Universe Books, 1972).

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developing countries had engaged in a diplomatic contest (the so-called North-South dialogue) about how best to reform the Bretton Woods regime, deemed unbalanced in favour of industrialised countries. This confrontation reached a climax with the approval of the 1974 UN Declaration for the establishment of a New International Economic Order (NIEO) and with the convening, from 1975 to 1977 in Paris of the Conference for International Economic Cooperation (CIEC), with its agenda to tackle the debt crisis in developing countries and create a Common Fund for commodity price stabilisation.[38] Far from being the only voice for the Global South, OPEC countries were certainly among its prominent actors, since they could claim a significant success with the nationalisations of the petroleum industry and the massive increase in the oil prices.[39]

The combination of the second oil price shock of 1979–80, and of the increase in interest rates by the US Federal Reserve (the 'highest since Jesus Christ', as German Chancellor Helmut Schmidt defined them), that triggered economic recession in the West and raised the costs of servicing foreign debt, severely weakened the cooperation between OPEC and the rest of the Third World countries, and increased, as argued by Jerome Roos, the 'structural power' of finance.[40] The election of Margaret Thatcher first, and of Ronald Reagan later in 1980, torpedoed the negotiations between OECD countries and raw materials exporters. A key North-South meeting between a select group of developed and developing countries was organised in the Autumn of 1981 in Cancun, Mexico.[41] It turned out to be the last of such meetings. Reagan and Thatcher, the leaders of the Anglo-American 'new conservatism', actively opposed any appeasement with developing countries that kept blaming the West for their economic shortcomings. The British Minister for Foreign Affairs made it clear that policies such as 'indexation' of commodity prices and appeals to 'technology transfer' had had their time, together with most of the 1970s UN jargon on the need for wealth redistribution. 'Did anybody believe', he rhetorically asked, 'that if we had met this demand at the CIEC in reply to supply and price assurances, these assurances would happen to be honoured by Khomeini?'[42] The failure in Cancun would mark the beginning of a new phase. 'We were not to know it at the time', Thatcher later remarked triumphantly, 'but 1981 was the last year of the West's retreat before the axis of convenience between the Soviet Union and the Third World.'[43]

Not only did the United Kingdom actively contribute diplomatically to the demise of the North-South dialogue, it also held a powerful weapon that could be targeted at OPEC. The economic recession of 1981 negatively impacted, for the first time since the Second World War, oil consumption in industrialised countries. Declining consumption, coupled with new oil coming on-stream from Alaska, Mexico, the United Kingdom and Norway, generated an 'oil glut' that exerted increasing downward pressures on oil prices. BNOC would be the first state oil company to reduce prices for its North Sea crude in 1981, as soon the oil glut started materialising. The British government had to navigate an uncomfortable position. On the one hand it did not want to be openly perceived by OPEC, particularly by key ally and military hardware importer Saudi Arabia, as actively driving down crude oil prices through BNOC. On the other hand, it sought to avoid any commitment with oil exporters, and wanted to be perceived as a reliable member of the European Community, as well as a privileged US ally. But the Conservative government would always choose cheap oil over cooperating with OPEC since lower crude prices benefited consumers and would 'encourage

38 Another good summary of the 'North-South dialogue' focussing on the role of the World Bank: Patrick Allan Sharma, *Robert McNamara's Other War. The World Bank and International Development* (Philadelphia: University of Pennsylvania Press, 2017).

39 On OPEC: Garavini, *The Rise and Fall of OPEC*. On other key players in the Global South: Christy Thornton, *Revolution in Development. Mexico and the Governance of the Global Economy* (Los Angeles: University of California Press, 2021).

40 Jerome E. Roos, *Why Not Default? The Political Economy of Sovereign Debt* (Princeton: Princeton University Press, 2021).

41 Guia Migani, 'The Road to Cancun: The Life and Death of a North-South Summit', in Emmanuel Mourlon-Druol and Federico Romero, eds., *International Summitry and Global Governance. The Rise and Fall of the G7 and the European Council, 1974–1991* (London: Routledge, 2014), 174–98.

42 TNA, EG 14/81, UK/Norwegian Co-ordinating Committee Meeting at D/Energy, London – 16 July 1980, 18 July 1980.

43 Margaret Thatcher, *The Downing Street Years* (London: Harper Collins, 1993), 157.

higher world trade and output, with lower world inflation.'[44] The United Kingdom had nothing to spare with Third World countries and *rentier* states: 'The overall effects [of a decline in prices] on both output and inflation in the United Kingdom are expected to be broadly neutral – if anything, slightly beneficial.'[45]

With declining oil prices, the 'commercial' British governance of the oil sector became apparent. BNOC, as we have seen, was obliged to purchase 51 per cent of North Sea crude. If BNOC's purchasing prices were deemed too high by its customers, it would be left with overpriced oil that was difficult to sell. This is precisely the scenario that materialised in July 1984 when BNOC started losing £1.2 million a day because its 'set prices' were considered above market prices. Thatcher commented: 'Pity we did not get rid of BNOC which is now losing money and dragging HMG into the forefront of the oil market'.[46] The only way for BNOC to halt these financial losses would have been to reduce oil output. But it could not do so, since it had no equity, thus no operational control over the oilfields. The Conservative government reiterated that, even though legally entitled to do so, it would not order production cuts because this would have undermined the confidence of the private sector and would have run against its ideological stance to let the market determine quantities through the price mechanism. Thatcher stressed that: 'The central issue is not what powers may be technically available, but the Government's overall policy towards the oil industry, which is of very great importance to us'.[47] Downing Street, added the Iron Lady, wanted 'to create a climate of confidence to assure major investment decisions', thus 'a move to cut UK production would impose very clear tangible losses on the nation'.[48]

The pivotal role played by the United Kingdom in the global oil market was acknowledged by OPEC when in March 1983 it held in London an 'historic' ministerial conference where, after weeks of negotiations, it decided for the first time in the history of the organisation to cut the 'official prices', and establish production quotas, with Saudi Arabia acting as 'swing producer', in order to halt the decline in prices.[49] From 1982 to 1985 emissaries from OPEC, in particular Saudi Oil Minister Zaki Yamani, visited the British Energy Minister, and even the Prime Minister, to plea for cooperation in stabilising global oil prices. On one such occasion, at the beginning of 1985, Saudi Prince Bandar met with Thatcher and promised a deal on British Tornado combat aircrafts in exchange for price cooperation. In preparing for the meeting the Prime Minister was adamant that cooperation could not be more than 'talks' since 'there could be no question of agreeing to limit our production': the British government 'would have to take its own decisions on production and prices'.[50] Yamani would go as far as threatening Energy Minister Peter Walker: 'nothing would put a restraint to the North Sea more effectively than a total collapse in the world oil prices'.[51] The former Venezuelan Oil Minister, and former UNCTAD Secretary General, Manuel Pérez Guerrero, sternly remarked in 1983 that: 'They think it [OPEC] is a ghost. The British are very kind with ghosts, but they are not very kind to that ghost. They wanted it to disappear'.[52]

In Autumn 1985 the Saudi oil policy shifted from one of defending the OPEC pricing and quotas to one of fighting for 'market share'. The policy was explicitly directed at disciplining non-OPEC producers, the British in particular, forcing them to cooperate.[53] It was the beginning of what became known

44 TNA, PREM 19/1737, Peter Walker to Prime Minister, 25 Mar. 1985.
45 Ibid.
46 TNA, PREM 19/1737, Peter Walker to Nigel Lawson, *World Oil Market*, 30 July 1984.
47 TNA, PREM 19/1737, Letter by The Prime Minister, 30 Jan. 1985.
48 Ibid.
49 Garavini, *The Rise and Fall of OPEC*, 326–46.
50 TNA, PREM 19/1737, Note for the Record, *Visit of Prince Bandar*, Secret, 7 Jan. 1985.
51 TNA, PREM 19/1737, Peter Walker to the Prime Minister, 25 Mar. 1985.
52 United Nations Oral History Project, *Interview with Manuel Pérez Guerrero (27 Apr. 1983)*: http://dag.un.org/bitstream/handle/11176/400569/PerezGuerrero27-28Apr83TRANS.pdf?sequence=1&isAllowed=y (consulted on 13 Dec. 2021).
53 On the complex relationship between Norway and OPEC in the 1980s: Dag Harald Claes, *The Politics of Oil-Producer Cooperation* (London: Routledge, 2001).

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as the oil 'counter-shock': a massive drop in oil prices whose effects would last for over two decades.[54] Little did Yamani know that the British government was prepared to go, as we will see, as far as accepting negative revenues from North Sea oil production in the name of disciplining OPEC, establishing the UKCS as the most welcoming location for fossil capital, and pressing forward the liberalisation of the energy sector.

Overcoming the National Union of Mineworkers (NUM) and 'De-Nationalising' Energy

The Iron Lady experimented in the North Sea with a new model of natural resource governance that would at the same time enhance private investments and contribute to the weakening of direct state control over the commanding heights of the British economy.

Thatcher's memoires confirm that bringing down the Public Sector Borrowing Requirement (BSBR) and eliminating the financial losses incurred by state-owned industries, from steel to shipbuilding, was one of the driving economic policies of the Conservative government.[55] 'De-nationalisation' was a key policy goal for the network of think tanks, such as the Institute for Economic Affairs and the Centre for Policy Studies, that helped Thatcher build her leadership in the 1970s. But this was a matter to be handled with great care since nationalisations still held widespread public support. In 1976 Michael Heseltine (later to become leader of the 'wets' in the Thatcher cabinets) presented the case for de-nationalisation, admitting it would be difficult 'to apply to the great utilities like posts, gas, electricity, and the railways'.[56] When the Labour government started selling BP shares in 1977 to comply with IMF-backed 'austerity' measures, the Conservatives were emboldened and David Howell (the first Secretary of Energy under Thatcher) went as far as arguing that there was now 'every reason for pursuing this policy of giving the industry back to the people'.[57] A confidential Conservative policy paper produced that same year by a 'Nationalised Industries Policy Group' coordinated by Nicholas Ridley admitted that, for all the limits of inefficient and over-staffed state monopolies, 'a frontal attack upon this situation is not recommended': the return to the private sector needed to be achieved 'more or less by stealth'.[58] In a 'confidential annex' to this same document, the group balanced the tactics to counter the resistance of the nationalised sector ('the enemies of the next Tory Government will try to destroy this policy'). Some of the strongest resistance was expected to come from the coal sector since a union strike could cut off the power supply and block the country. The tactics to counter such resistance, according to the authors, included securing supply chains and, crucially, converting power stations so they could accommodate dual coal/oil power. The Conservative manifesto for the 1979 elections, while criticising the Labour plan 'to nationalize yet more firms and industries', limited its proposals of 'selling back to private ownership' aerospace and shipbuilding, shying away from mentioning de-nationalisation of the commanding heights of the economy. It took some time for Thatcher to fully endorse 'privatisation': a term that carried a more positive vibe than the previous de-nationalisation.[59]

As soon as the Conservatives won the election, the North Sea came to rescue Thatcher's government. Its tax reduction measures (cutting the highest bracket from 83 per cent to 60 per cent, and the mid-range bracket from 33 per cent to 30 per cent), even with partial compensation from increased

[54] Majid Al-Moneef, 'Saudi Arabia and the Counter-Shock of 1986', in Basosi, Garavini and Trentin, eds., *Counter-Shock*, 99–117.

[55] PSBR has 24 entries in Thatcher's diaries (*The Downing Street Years*).

[56] Monica Prasad, *The Politics of Free Markets. The Rise of Neoliberal Economic Policies in Britain, France, Germany, and the Unites States* (Chicago: the University of Chicago Press, 2006), 124–5.

[57] *Ibid.*

[58] Margaret Thatcher Foundation (MTF), Archive, The Conservative Research Department, *Final Report of the Nationalised Industries Policy Group*, Confidential, 30 June 1977: https://www.margaretthatcher.org/document/110795 (consulted on 3 Dec. 2021).

[59] Thatcher's engagement with privatisation paralleled Ronald Reagan's commitment to 'de-regulation'. Since none of the key US energy companies were state-owned, Reagan's policy concentrated on deregulating the energy sector.

indirect taxation and from the sale of public housing, would have otherwise generated severe budget deficits.[60] From 1979 to 1982 oil rents represented roughly 8 per cent of British tax revenues, while in 1981, as mentioned, oil exports allowed Great Britain to record a positive trade balance for the first time in decades. Despite the fiscal regime favourable to oil companies, at the end of the 1970s the combination of royalties and of the Petroleum Revenue Tax (PRT) helped provide for the rising unemployment benefits disbursed as a consequence of the severe economic crisis.[61] Economist Sidney Pollard wrote that without oil the Thatcher experiment would not have survived, even though 'oil revenue has been squandered to allow the Government to maintain a destructive policy of high unemployment and low investment'.[62]

In 1981 the government had been humiliated once more by the coal miners, as had both previous Conservative and Labour administrations during the 1970s, and had been forced to renounce plans to cut coal production and investment. After the 1982 victory in the Falklands War (the second 'stroke of luck' according to Skidelski), which bolstered Thatcher's then extremely low popularity, the newly appointed Energy Secretary Nigel Lawson took his battle tot the state industries in the energy sector, considering them responsible for keeping consumer prices too low, for irrational over-investment in capacity, and for being unable to keep labour costs at bay. Echoing Reagan, Lawson declared: 'I do not see the government's task as being to try to plan the future shape of energy production and consumption', but instead 'our role is rather to set a framework which will ensure that the markets operate in the energy sector with a minimum of distortion'.[63] The hydrocarbon sector would be a crucial place to start the revolution of efficiency and market-friendly regulation. Royalties were lowered in 1983, and again in 1989, before being finally abolished altogether. The primary fiscal tool versus the oil industry, the PRT, was redesigned midway through the 1980s, then reduced by 50 per cent in 1993, and finally eliminated entirely for all new oilfields. The result was that, also due to declining oil prices, tax revenues from oil production would drop from more than £12 billion in 1984–5 to only £1 billion in 1991–2.[64]

While the government was luring in investors by reducing taxation, it was also feeding them with a massive sale of state-owned energy assets. BNOC – marginal as an operator, but nevertheless a major buyer of North Sea crude – was privatised in two phases, first in 1982 and then in 1985. The government also freed itself in stages from all its equity in BP. In 1977, the state controlled 51 per cent of BP; in 1981, its share was down to 46 per cent; in 1983, it dropped to 31.5 per cent. In 1987 'the Company' was fully privatised, with farewell to the legacy of Winston Churchill. In terms of their overall value, the privatisations in the hydrocarbons sector, including the floating of the monopolist British Gas privatised in 1986 (the largest privatisation of the Thatcher era), were the most significant in Britain.[65] Thatcher boasted that by the time she left office 60 per cent of former state industries were in private hands and that her privatisations had been 'the greatest shift in ownership and power away from the state to individuals and their families in any country outside the former communist bloc'.[66]

The availability of North Sea oil and gas was also essential to overcome the most serious existential threat to the very legitimacy of the Thatcher government. It was instrumental in defeating the strike wave mounted by the powerful NUM led by Arthur Scargill that could have jeopardised both

[60] On the 'right to buy': Andy Beckett, *Promised You a Miracle: Why 1980–82 Made Modern Britain* (London: Allen Lane, 2015).

[61] Juan Carlos Boué, *The UK North Sea as a Global Experiment in Neoliberal Resource Extraction. The British Model of Petroleum Governance from 1970–2018*, Platform/PCS, Oct. 2018.

[62] Sidney Pollard, 'Stagflation, Fiscal Deficits and Balance of Payments – Great Britain and Germany', *Hitotsubashi Journal of Economics*, 27, Special issue (1986), 42–56.

[63] Lawson, cited in Dieter Helm, *Energy, the State, and the Market: British Energy Policy Since 1979* (Oxford: Oxford University Press, 2004), 44.

[64] Horsnell and Mabro, *Oil Markets and Prices*, 36.

[65] Brett Christophers argues that privatisation of land (with 10 per cent of the land mass of Britain being sold by the state since 1979) should be considered as the most important sale of public assets by value: Brett Christophers, *The New Enclosure: The Appropriation of Public Land in Neoliberal Britain* (London: Verso, 2018).

[66] Quoted in: Meek, *Private Island*, 18.

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'de-nationalisations' and investor-friendly policies. This epic labour battle, aiming at shielding miners from wage reductions and worsening labour conditions, occasionally assuming the contours of a civil war, lasted from 1984 to 1985 and involved more than 140,000 coal miners. It was the biggest strike since the titanic, and equally unsuccessful, general strike of 1926.

North Sea oil would prove critical to overcoming the embargo on the provision of coal to British power stations, by allowing to swiftly convert many of them to heavy oil. The amount of diesel fuel burned by power plants increased from 131,000 tons in the first week of the strikes to as much as 650,000 tons, thus allowing an uninterrupted supply of electricity to British costumers.[67] During the strike 38 per cent of the electricity came from oil-fired power stations as opposed to 3 per cent the year before, while petroleum consumption increased by one third. A few months later, speaking at the Institute of Petroleum, Thatcher thanked the oil industry for having played 'a vital part in helping to resist a determined but unprincipled challenge to democratic values and the rule of law'.[68]

The surge in production in the British North Sea eventually levelled off, but contributed to the 'over-supply' of petroleum that led to the oil price counter-shock of 1985–6.[69] The British oil industry itself suffered greatly from the 'counter-shock', with ten thousand jobs lost in the oil town of Aberdeen, Scotland, alone. Unemployment in some of the town's neighbourhoods reached 80 per cent: 'One street, Lee Crescent North, became notorious for the number of houses in the street displaying "For Sale" signs'.[70] A potent symbol of the collateral damage generated by the loss of state control over North Sea oil was the mild state reaction to the terrible accident on the Piper Alpha platform in 1988, that left 133 dead but resulted in relatively small financial impact on the operating companies. This compares unfavourably with the later 2010 Deepwater Horizon disaster in the Gulf of Mexico that killed eleven, and would cost BP a total of $65 billion in compensation, nearly bankrupting the company.[71]

The 'British Model' and the Neo-Liberalisation of the European Energy Market

Thatcher's management of North Sea oil and gas affected energy policies in the rest of the European Community (EC, later EU) and beyond in two ways: in the first place through the return of cheap oil; secondly, by exporting privatisations and investor-friendly energy policies and regulations as success models.[72]

A casualty of the return to cheap oil was the 1970s push for state-driven and state-funded research and energy policies that would boost 'alternatives' to petroleum, energy efficiency and, occasionally, energy conservation measures. France launched in 1974 its massive nuclear program with the so-called Messmer Plan to build thirteen new nuclear reactors, and ended up generating most of its electricity from nuclear energy.[73] This proved to be more the exception than the rule, even in Western Europe. In most OECD countries the most visible legacy of the 'energy policy decade', and of the coordinated efforts at reducing dependence on oil imports, was what Paul Stevens has defined as the 'OECD disease'.[74] OECD countries, except the United States, kept taxes on oil products (gasoline in the first place) from high to very high, and increased them as crude oil prices dropped in the middle of the

67 John Kemp, 'Thatcher's Secret Weapon in the Miners' Strike Shut.: Ending an Era', *Reuters*, 1 Apr. 2015.

68 Quoted in: Edwards, *The State of the North Sea*.

69 Basosi, Garavini and Trentin, eds., *Counter-Shock*.

70 Shepherd, *Oil Strike North Sea*, 61.

71 Marriot and Macalister, *Crude Britannia*.

72 British economists were at the forefront of the debate on privatisations in the 1980s. John Vickers started his career in the oil industry and played a crucial role in framing the economic discourse on privatisations. See the widely quoted John Vickers and George Yarrow, 'Economic Perspectives on Privatization', *Journal of Economic Perspectives*, 5, 2 (Spring 1991), 111–32.

73 Sezin Topçu, *La France nucléaire: L'art de gouverner une technologie contestée* (Paris: Éditions du Seuil, 2013).

74 Paul Stevens, *The Geopolitical Implications of Future Oil Demand*, Chatam House, 14 Aug. 2019: https://www.chathamhouse.org/2019/08/geopolitical-implications-future-oil-demand (consulted on 13 Dec. 2021).

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1980s. From January 1985 to May 1986, for example, gasoline taxes in Denmark increased by 63% and diesel taxes by 220%, while in Italy they increased by 9% and 37% respectively.[75] These hikes were justified with the necessity of preventing European consumers from receiving 'wrong price signals', thus avoiding a spike in gasoline consumption and crude oil imports, but were not high enough to promote the shift to new technologies in the transport sector (EVs), significant investments in public transport. At the beginning of the 1990s Thatcher was eager to finally start bringing down product taxes. Her Private Secretary Andrew Turnbull warned of three good reasons not to do so: first to avoid sending wrong price signals to consumers, second to avoid increasing import dependence, and third to prevent 'global warming':

> You yourself have observed that fossil fuels treat the atmosphere as a free facility (while the nuclear industry is forced to pay the full cost of disposing of all its waste). Society will not have to incur heavy expenditure to cope with the costs which the free waste disposal regime imposes on it.[76]

Product taxation did little to 'decarbonise' production. The title of the Ditchley Park conference that gathered key energy policy-makers at the end of 1985 said it all: 'Do the industrialized countries need an energy policy to assure *adequate future supplies*?'[77] During the debate it was clear that while many participants, in particular Western Europeans, feared that an oil price below $15 - 20 a barrel might jeopardize energy diversification measures, nobody was prepared to renounce cheap oil. The prevailing objective was to guarantee long-term 'adequate supplies'.

At an informal meeting of EC Energy Ministers in September 1986, expressions of concern for prices that were falling below $18–20 a barrel abounded.[78] According to the Dutch delegate, prices lower than $15 per barrel would endanger the development of the giant Troll gas field in the Norwegian sector of the North Sea and would make investments in nuclear energy politically unsustainable. Other ministers confirmed that diversification efforts, as well as the speedy development of OECD-controlled hydrocarbon reserves, would be at risk. But both the Italian minister Zanone and the French minister Syrota admitted that low prices had 'substantially helped'/'greatly benefited' in bringing down inflation and in improving balance of payments. The British minister Walker, chairing the discussion, warned his colleagues that 'the Community could never hope to fix the price of oil', and that 'the oil shocks of the 1970s had led to an immense transfer of resources from the industrialized world to OPEC. He did not favour a repetition'.[79] Thanks to the return of cheap oil, EC energy policy objectives set in 1985 for the next decade were no more ambitious than those set after the 1973 oil shock: Limit the reliance on oil to 40% of energy consumption; limit net oil imports to less than one-third of total energy consumption; improve energy efficiency by 20%; increase the proportion of new and renewable resources.[80]

If the British North Sea paved the way for the return of cheap oil, weakened strong diversification measures away from fossil fuels and eased the pressures on balance of payments and state budgets, the area where there was active policy transfer across the Channel was the governance of the energy sector, with pressures towards the privatisation of state-owned energy companies and the promotion of market-driven regulation. The privatisation of most European oil and gas companies, and later the 'liberalisation' of the European energy markets (natural gas and electricity) from the 1990s were in

75 Historical Archives of the European Union (HAEU), Christopher Audland (CA) 4, *Evolution des taxes appliquées aux produits pétroliers pour la période du 1.1.86 au 15.4.86*, Bruxelles, 18 Apr. 1986.

76 TNA, PREM 19/2137, Andrew Turnbull to Prime Minister, Energy Prices, 9 Aug. 1990.

77 HAEU, CA 2, Note for the Attention of Commissioner Mosar, Brussels, 19 Dec. 1985.

78 HAEU, CA 2, Note for Commissioner Mosar, *Ditchley Park Conference on Energy*, 19 Dec. 1986.

79 Ibid.

80 Eric Bussière, 'At the Centre of a Web of Interdependence: Energy', in Bussière et al., eds., *The European Commission 1973–86. History and Memoires of an Institution* (Luxembourg: Publications Office of the European Union, 2014), 379.

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many ways encouraged by the British experience – although heavily resisted by some of the former state monopolists.

During the late 1980s and in the 1990s most Western European state oil and gas companies were fully or partially privatised: after BP and British Gas came the German VEBA (1987), the French ELF (1991), the Italian ENI (1995), the Spanish REPSOL (from 1989 to 1997), the Norwegian STATOIL (2001). The idea was that privatisations would not only fund state budgets and reduce public debts but allow the newly privatised companies to become more efficient and compete globally with fresh capital inputs. Western European citizens shifted from being considered consumers, mainly interested in securing energy supply at stable prices, to be viewed as potential shareholders (British Gas marketing consultants invented 'Sid': the archetypal private citizen/investor), interested in extracting their share of dividends from the new European energy champions. Britain would set the example of a new 'popular capitalism', sometimes also defined as 'shareholder democracy', brought to life by the one million plus investors in the fully privatised BP, or by the 1.5 million investors in British Gas.[81] This new brand of dividend-seeking citizens would not only overcome real existing socialism but, with the help of financial institutions, would throw the 'mixed economy' into the dustbin of history.[82]

Newly privatised oil companies, from ELF to ENI, could focus on obtaining the highest possible return on investments in the short term. In a low crude price scenario this basically meant merging with other oil companies, asking for improved investment conditions (lower taxation, more equity oil and less regulatory burdens), and maximising production from the most profitable oil regions in the world.[83] These objectives of the European energy champions reinforced the 'excess supply' tendency of in the global petroleum market in the 1990s and contributed to the enduring low crude price scenario.

Privatisation also meant breaking up energy monopolies. Stephen Littlechild, in a widely-quoted article published in 1981, claimed that to privatise the British electricity sector, the National Grid needed to be split off from the power generating side, then regional electricity boards needed to be privatised, and finally private companies would have to be allowed to build new power stations.[84] The privatisation of public utilities by 'vertical separation' of the state monopolies, or by 'unbundling', would eventually inspire EU Commission efforts in the liberalisation of the energy sector. The British Conservative cabinet member Lord Cockfield, appointed EC Commissioner for the Internal Market, played a key role in the mid 1980s in promoting the project of a Single European Market that would break closed national markets and foster competition among European companies.[85] Even though somewhat in contradiction with Thatcher's, but also with Reagan's efforts to 'de-regulate' the economy, privatisations were to be accompanied by an effort to regulate public utilities so as to avoid a simple shift from public to private monopolies.[86]

Leon Brittan, EC Commissioner for Competition, a former member of the Thatcher government, played a part in the juncture of 1989–92 in turning Cockfield's white paper on *Completing the Internal Market* into a coherent energy policy. He acknowledged the direct influence exerted in Brussels by the British model:

> Of course I was not operating in a vacuum. The privatized but regulated gas and electricity industries in the UK offered one example of the introduction of a more competitive regime. Indeed the

81 Marriott and Macalister, *Crude Britannia*, 142.

82 On 'popular capitalism': Amy Edwards, 'Financial Consumerism: Citizenship, Consumerism and Capital Ownership in the 1980s', *Contemporary British History*, 41, 2 (2017), 210–29.

83 Leonardo Maugeri, *Age of Oil. The Mythology, History, and Future of the World's Most Controversial Resource* (London: Praeger, 2006), 169–83.

84 Stephen C. Littlechild, 'Ten Steps to Denationalisation', *The Journal of Economic Affairs*, 6, 1 (1981), 11–19.

85 John Gillingham, *European Integration 1950–2003. Superstate or New Market Economy* (Cambridge: Cambridge University Press, 2009), 230–59. For a more nuanced view of the British role in the launching of the Single European Market: Warlouzet, *Governing Europe*.

86 The first and most optimistic account of the rise of 'regulation' in Europe is: Giandomenico Majone, *Regulating Europe* (London: Routledge, 1996).

Commission carried out a comprehensive enquiry into competition policy implications of the new British arrangement.[87]

The liberalisation of the European energy sector would take more than a decade to begin, with the first directives on electricity (1996) and natural gas (1998), while effective re-regulation through the creation of powerful national regulatory authorities would lag behind. 'Lenin once said something to the effect that Communism equals Soviets plus electricity', said Karel van Miert, the Belgian socialist who replaced Brittan in 1993 as Competition Commissioner, while presenting the simple rationale of the EU energy policy: 'Community energy policy equals access plus markets. The Commission seeks to promote contestability of markets, with competitors having equitable access to all market'.[88]The 'liberalisation' of the EC/EU energy markets was also accompanied by an effort to export these policies beyond Western European borders. The international debates and negotiations on Permanent Sovereignty over Natural Resources (PSNR) and on the creation of a New International Economic Order (NIEO) in the 1970s, with their focus on the state as the key development agent, as well as a safeguard against foreign exploitation of natural resources, receded into the background in the 1980s, as oil exporting countries had to face budget deficits, mounting international debt and lower oil income.[89]

EC/EU countries were at the forefront of the effort to 'open up' oil exporting regions to foreign direct investments. One of the instruments to project EC/EU investments globally was the support given by European countries to the spread of Bilateral Investment Treaties (BITs), many of which were signed by the Dutch government with a wide network of non-European countries – with a special attention being devoted to oil and gas exporting countries.[90]

Possibly the most ambitious effort to sponsor a new energy governance beyond EU borders was directed at the countries of the former Soviet Union, territories that held some of the largest energy and mineral resource reserves in the world, and that now seemed virgin lands to be exploited by global capital. At the Dublin European Council in June 1990, the Dutch Prime Minister, Ruud Lubbers, proposed the creation of a European Energy Community extending from the Atlantic to the Urals. On this basis the Commission, within a few months, produced a draft European Energy Charter, made public by its President Jacques Delors at the Conference on Security and Cooperation in Europe (CSCE) in November 1990. The aim of the proposed Energy Charter was to foster energy interdependence and to 'promote the construction of a large European energy market' through 'maximum use of market forces'.[91] The Community aims were identified as being to: 'set the highest possible protection for investor'; 'maximise access to investments'; 'lay down strict provisions governing freedom of transit'; and generally to 'reaffirm the traditional position of the Community in favour of opening access to trade in energy materials and products'.[92] The negotiations on the Charter took place in the course of 1991, with the involvement of other OECD governments. The Charter, a nonbinding political declaration, was approved by the EC/EU and forty-eight other parties in The Hague on 16–17 December 1991. The signatories declared themselves determined 'to create a climate favourable to the operation

[87] Quoted in Thane Gustafson, *The Bridge. Natural Gas in a Redivided Europe* (Cambridge: Cambridge University Press, 2020), 194.

[88] HAEU, Gordon Adam (GA) 31, Speech by Karel van Miert, *Toward a Competitive Energy Market*, Royal Institute for International Affairs, Nov. 1994.

[89] On the end of crisis PSNR and NIEO debate and the rise of pro-investment policies and legislation at the end of the 1980s: Thomas Walde and George Ndi, eds., *International Oil and Gas Investment: Moving Eastwards?* (London: Graham & Trotam, 1994), 3–29.

[90] The Netherlands is the second most frequent home state for arbitration after the United States. Dutch BITs represented, in 2016, 10 per cent of all such treaties signed globally. Roos van Os and Roeline Knottnerus, *Dutch Bilateral Investment Treaties. A Gateway to 'Treaty Shopping' for Investment Protection by Multinational Companies*, SOMO Paper, Oct. 2011.

[91] Francesco Petrini, 'EU Energy Policy: Security, Competitiveness and the Environment. An Impossible Trinity?', in Vincent Dujardin et al., eds., *The European Commission (1986–2000). Histories and Memories of an Institution* (Luxembourg: Publications Office of the EU, 2019).

[92] HAEU, GA 31, *The European Energy Charter. French Impetus from the European Community.*

of enterprises and to the flow of investments and technologies by implementing market principles'.[93] Though vague and contradictory on a number of points, the Charter clearly aimed at weakening proprietary governance of natural resources – one of the key factors behind the oil price increases of the 1970s – and at promoting commercial governance of oil and gas sector ('extractivism'), so as to guarantee their flow at competitive prices. European leaders hoped that Siberia could be transformed into an oil province as open to private investments as the British North Sea. British oil companies, BP and Shell, in particular, would become major investors in the former Soviet Union, reaping immense profits.[94]

Conclusion: The Dark Side of Cheap Carbon

Since the first UN Intergovernmental Panel on Climate Change (IPPC) report in 1990, humanity has discharged into the atmosphere as much CO_2 as it had since the beginning of the industrial revolution. The EU, while portraying itself as the most climate-conscious region in the world, was no exception to this trend. Energy intensity (measured as the unit of energy needed per unit of GDP) in the EC/EU decreased throughout the 1990s, pointing to improved efficiency and outsourcing of carbon-intensive production. But oil consumption, especially in the crucial transport sector, continued its upwards movement until the recession in 2008.[95] Natural gas, a fossil energy source (even though relatively less polluting in terms of CO_2 than coal or oil), advanced much more rapidly than renewables between 1990 and 2008, becoming the new pillar of European electricity generation (its consumption increasing by over 40 per cent between 1994 and 2006, and by 1994 it had overtaken coal as the second most important EU primary energy source). The so-called 'dash to gas' in the United Kingdom, for example, meant that by the early 2000s more than 30 per cent of British electricity was produced from gas, up from 5 per cent in 1990.[96] An important reason for the re-launching of cheap fossil energy in Europe, together with the fall in oil prices, was the liberalisation of the gas and electricity sectors. Mario Monti, EU Commissioner for the Internal Market (1995–9), and later in charge of competition policy, argued in 1997 that the Single Market was 'the most important supply-side exercise' ever undertaken at global level to bolster production, reduce prices and increase demand.[97] Privatisation and increased competition in the energy sector had the parallel effect of reducing investments, and of 'sweating assets' to their limits: Electricity prices fell 21 per cent by the end of the 1990s, while EU consumption soared.[98]

In terms of creating a new shareholding democracy, Edgerton notes that 'the proportion of shares held by individuals was lower in 1988 than in 1975', and would fall as low as 16 per cent by 2000, and then even lower to 10% in 2010.[99] Far from benefiting the fictional small shareholder 'Sid', privatisations favoured the concentration of the public utilities sector in the hands of a small group of European private champions. It greatly contributed to the so-called 'financialisation' of the economy,

93 The Energy Charter Treaty with binding legal force was signed in Dec. 1994. Key oil and gas exporters such as Norway and Russia did not adhere.

94 BP has blocked the publication of the already completed volume of the official history of BP from 1975 to 2006 authored by James Bamberg. But details about the extent of its profits in Russia and former Soviet Union territories are emerging: Tom Wilson, 'Oligarchs, Power and Profits: the History of BP in Russia', *Financial Times*, 24 Mar. 2022.

95 European Environment Agency, *Primary energy consumption by fuel, EU-28*: https://www.eea.europa.eu/data-and-maps/indicators/primary-energy-consumption-by-fuel-6/assessment-2 (consulted on 13 Dec. 2021).

96 James Meek, 'How We Happened to Sell Off Our Electricity', *London Review of Books*, Vol. 34, No. 17, 13 Sept. 2012.

97 Mario Monti, *Il mercato unico e l'Europa di domani. Rapporto della Commissione europea* (Milano: il Sole24Ore Libri, 1997).

98 On the impact of EU electricity market liberalisation in the 1990s: Stephen G. Gross, 'The Paradoxes of Concentration and Competition: European Electricity Market Liberalisation in the 1990s', currently under review for *Contemporary European History*.

99 Edgerton, *The Rise and Fall of the British Nation*. Office for National Statistics, Census 2021, *Ownership of UK quoted shares: 2020*, released 3 Mar. 2022: https://www.ons.gov.uk/economy/investmentspensionsandtrusts/bulletins/ownershipofukquotedshares/2020 (consulted on 9 July 2022).

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and to the ensuing concentration of wealth in the hands of financial investors and asset managers.[100] The share of European electricity controlled by the top utility companies rose dramatically, so much so that by the early 2000s only seven companies dominated a market of 350 million costumers. Regulatory authorities, a key element of the EU neoliberal governance, both at the national and at the European level, were very easy on mergers and market concentration. As noted by Mark Thatcher: 'Between 1990 and 2009 only 2 out of 394 mergers in telecommunications and energy were prohibited and not even one in banking'.[101] The British model did not signal the shift from the 'entrepreneurial state' and the 'mixed economy' to a new 'regulatory state', but rather from state-owned monopolies in the utilities sector to oligopolies of giant private companies. Adrian Hamilton, a fellow at the Institute for Economic Affairs, had to admit in 1994 that privatisations 'had done little for the customer' while the management 'has been bought off with huge pay rises and substantial share options':

> Privatisation of British Gas has been a scandal. As a nationalised industry, it had converted the entire country to natural gas and revolutionised the energy scene. As a privatised company, it has done little more than sit back and reward itself and its advisers from the benefits of former investments and its dominant position.[102]

The extremely favourable taxation regime for investors in the British North Sea, implemented during the Thatcher era, also meant a dramatic loss of revenues for the United Kingdom as a landlord state. The new regime rapidly shifted the tax burden from the producers (the oil companies) to the consumers (the average citizens), so much so that by 1999 the ratio of downstream to upstream hydrocarbon taxes was 12 to 1, with £2.5 billion in upstream taxes on producers, and £30 billion on consumers.[103] Juan Carlos Boué has calculated that, had the United Kingdom applied the same fiscal regime for hydrocarbons as Norway, the United Kingdom would have had benefited, in the period between 2002 and 2015 alone, from $324 billion in greater fiscal revenues. The availability of this massive land rent could have contributed to solving some of the worst social and infrastructural problems of the country, or could have allowed the creation of a sovereign wealth fund big enough to provide for the future generation of British citizens.[104] This is a clear measure of financial and natural resource 'dispossession' that has been endured by Britain and the British people in the name of weakening OPEC, fighting trade unions, and attracting private investors to the newly de-nationalised energy sector.

[100] The literature on 'financialisation' is burgeoning. One of the early essays on the topic is: Greta R. Krippner, *Capitalizing on Crisis: The Political Origins of the Rise of Finance* (Cambridge, MA: Harvard University Press, 2012).
[101] Mark Thatcher, 'From Old to New Industrial Policy via Economic Regulation', *Rivista della regolazione del mercati*, 2, (2014), 6–22.
[102] Quoted in: Harvie, *Fool's Gold*, 298.
[103] Christophers, *Rentier* Capitalism, Chapt.2.
[104] Boué, *The UK North Sea*.

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