



Petroleum and Submarine Pipe-lines Act 1975

1975 CHAPTER 74

PART I

THE BRITISH NATIONAL OIL CORPORATION

Constitution

1 Constitution of the Corporation

- (1) There shall be a body corporate, to be called the British National Oil Corporation (and hereafter in this Act referred to as " the Corporation "), which shall be constituted in accordance with the following provisions of this section.
- (2) The Corporation shall consist of not less than eight and not more than twenty persons appointed by the Secretary of State to be members of the Corporation from among persons appearing to him to have had wide experience of, and shown capacity in, activities connected with petroleum, other industrial, commercial or financial matters, administration or the organisation of workers.
- (3) The Secretary of State—
 - (a) shall appoint one member to be the chairman of the Corporation;
 - (b) may appoint another member or other members to be the deputy chairman or deputy chairmen of the Corporation;
 - (c) shall ensure that two members are persons employed in the civil service of the State ;
 - (d) shall in appointing members have regard to the desirability of there being members who are familiar with the special requirements and circumstances of particular areas of the United Kingdom.
- (4) The provisions of Schedule 1 to this Act shall have effect with respect to the Corporation.

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- (5) It is hereby declared that the Corporation is not to be regarded as a servant or (except in pursuance of an express provision in that behalf made by or under this Act) as an agent of the Crown or as enjoying any status, privilege or immunity of the Crown or (subject to section 9 of this Act) as exempt from any tax, duty, rate, levy or other charge whatsoever, whether general or local, and that its property is not to be regarded as property of or held on behalf of the Crown ; but nothing in this Act shall be construed as derogating from any privilege, immunity or exemption of the Crown in relation to any matter as respects which the Corporation acts as agent of the Crown by virtue of such an express provision as aforesaid.
- (6) In Part II of Schedule 1 to the House of Commons Disqualification Act 1975, after the entry relating to the British Gas Corporation there shall be inserted the words " The British National Oil Corporation " ; and in Part II of Schedule 1 to the Northern Ireland Assembly Disqualification Act 1975, after the entry relating to the British Airways Board there shall be inserted the words aforesaid.

General functions of the Corporation

2 **General powers**

- (1) Subject to the following provisions of this Part of this Act, the Corporation shall have power—
- (a) to search for and get petroleum existing in its natural condition in strata in any part of the world;
 - (b) to move, store and treat petroleum and anything derived from it;
 - (c) to buy, sell and otherwise deal in petroleum and anything derived from it;
 - (d) to perform for any Minister of the Crown or Northern Ireland department such services connected with petroleum and anything derived from it as the Minister or department may request the Corporation to perform on his or its behalf;
 - (e) without prejudice to the generality of the preceding paragraph, to do anything required for the purpose of giving effect to agreements entered into by the Secretary of State with a view to securing participation by the Government of the United Kingdom, or by the Corporation or any other body on behalf of the Government, in activities connected with petroleum beneath controlled waters;
 - (f) to provide any person with advice or assistance of any kind, including research services and training facilities, as respects any matter in which the Corporation has skill or experience;
 - (g) to do anything which the Corporation considers is calculated to facilitate, or is conducive or incidental to, the performance of any of the Corporation's functions.
- (2) Without prejudice to the generality of the powers conferred by the preceding subsection, those powers include in particular power—
- (a) to provide and operate pipe-lines, tanker-ships and refineries in connection with petroleum ;
 - (b) to carry out research in connection with petroleum or anything derived from it and to promote activities for the purpose of turning to account the results of such research.

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- (3) It is hereby declared that the preceding provisions of this section relate only to the capacity of the Corporation as a body corporate and that nothing in those provisions authorises the Corporation to disregard any enactment or rule of law.
- (4) The Corporation shall not, except with the consent of the Secretary of State and in accordance with any conditions specified in the instrument signifying his consent, exercise its powers—
 - (a) to search for or get petroleum in any area outside Great Britain and controlled waters ;
 - (b) to refine crude liquid petroleum or to treat, buy, sell or otherwise deal in anything derived from petroleum ;
 - (c) to promote or participate in the formation of, or acquire or relinquish membership of or any interest in or security issued by, a body corporate;
 - (d) to borrow or lend money, to charge any of its actual or future assets or to guarantee the performance by another person of any obligation ;
 - (e) to promote or oppose in Parliament any Bill or any order under the Private Legislation Procedure (Scotland) Act 1936;
 - (f) to provide any person outside the United Kingdom with advice or assistance;and the Secretary of State shall not give his consent for the exercise of any power mentioned in paragraph (c) or (d) of this subsection except with the approval of the Treasury.

3 General duties

- (1) It shall be the duty of the Corporation, in formulating and carrying out plans for the general conduct of its undertaking and the undertakings of its subsidiaries, to act on lines settled from time to time by the Corporation with the approval of the Secretary of State.
- (2) It shall be the duty of the Corporation to ensure that, where the Corporation proposes to engage to a substantial extent in an activity in which it is not currently engaged or to increase substantially the extent of any activity in which it is currently engaged, the Corporation gives notice of the proposal to the Secretary of State before carrying out the proposal.
- (3) It shall be the duty of the Corporation to tender advice to the Secretary of State with respect to any matter connected with petroleum as to which the Corporation considers it appropriate to provide advice for the Secretary of State or he requires the Corporation to give him advice.
- (4) It shall be the duty of the Corporation, from time to time when the Corporation considers it appropriate or the Secretary of State so requires,—
 - (a) to undertake a review of the affairs of the Corporation and its subsidiaries for the purpose of determining how the management of the activities of the Corporation and its subsidiaries can most efficiently be organised; and
 - (b) to make a report to the Secretary of State upon the Corporation's conclusions arising from the review.
- (5) It shall be the duty of the Corporation, if so required by the Secretary of State, to undertake on behalf of the Crown such activities as the Secretary of State may specify with respect to-

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- (a) any pipe-lines and any installations for the storage of petroleum which belong to or are held on behalf of the Crown;
- (b) any petroleum belonging to or held on behalf of the Crown.

4 Directions by Secretary of State

- (1) The Secretary of State may, after consultation with the Corporation, give to the Corporation such general or specific directions as the Secretary of State thinks fit.
- (2) Nothing in any provision of this Act, excluding the preceding subsection, which provides for the giving of a direction or notice to the Corporation by the Secretary of State or for the making in any form by the Secretary of State of a requirement relating to the Corporation shall be construed as prejudicing the generality of the preceding subsection.

Financial provisions

5 General financial duties

- (1) The Secretary of State may, by notice given to the Corporation, require the Corporation to perform such duties of a financial nature as are specified in the notice, and it shall be the duty of the Corporation to comply with the notice.
- (2) A notice in pursuance of this section shall not be given except with the approval of the Treasury and after consultation with the Corporation.
- (3) A notice in pursuance of this section may—
 - (a) specify different duties in respect of different activities of the Corporation;
 - (b) relate to a period beginning before the notice is given;
 - (c) contain such incidental and supplemental provisions as the Secretary of State considers appropriate; and
 - (d) be varied or revoked by a subsequent notice in pursuance of this section.
- (4) The Secretary of State may, with a view to deciding whether to give a notice to the Corporation in pursuance of this section or what the terms of such a notice should be, require the Corporation to furnish him with proposals for expenditure by the Corporation or any of its subsidiaries which are prepared in such a form and by reference to such factors and for such periods as the Secretary of State may specify; and it shall be the duty of the Corporation to comply with the requirement.

6 Borrowing powers etc.

- (1) Any sum required by the Corporation for the purpose of performing its functions may be borrowed by the Corporation in sterling from the Secretary of State or, with the consent of or in accordance with a general authority given by the Secretary of State, in any currency from a person other than the Secretary of State.
- (2) The Secretary of State shall not give consent or an authority in pursuance of the preceding subsection except with the approval of the Treasury.
- (3) The aggregate amount outstanding at any time in respect of money borrowed temporarily by the Corporation and relevant subsidiaries shall not exceed such amount as is for the time being specified by the Secretary of State, and the aggregate

amount outstanding at any time in respect of the principal of any money borrowed by the Corporation or relevant subsidiaries and the sums of which the repayment is guaranteed by the Corporation or relevant subsidiaries shall not exceed £600 million or such larger amount, not exceeding £900 million, as is for the time being specified by an order made by the Secretary of State.

- (4) In calculating any amount outstanding for the purposes of the preceding subsection any money borrowed by the Corporation from a relevant subsidiary or by a relevant subsidiary from the Corporation or another relevant subsidiary shall be disregarded.

7 Loans by Secretary of State

- (1) The Secretary of State may, with the approval of the Treasury, lend to the Corporation any sums which the Corporation has power to borrow from the Secretary of State by virtue of the preceding section.
- (2) Any sum lent by the Secretary of State in pursuance of the preceding subsection shall be paid by him into the National Oil Account established by this Act.
- (3) Any loan which the Secretary of State makes in pursuance of subsection (1) of this section shall be repaid to him at such times and by such methods, and interest on the loan shall be paid to him at such rates and at such times, as the Secretary of State may with the approval of the Treasury from time to time determine.
- (4) The Treasury may issue out of the National Loans Fund to the Secretary of State such sums as are necessary to enable him to make loans in pursuance of subsection (1) of this section ; and any sums received by the Secretary of State in pursuance of the preceding subsection shall be paid into that Fund.
- (5) It shall be the duty of the Secretary of State as respects each financial year—
- (a) to prepare, in such form as the Treasury may direct, an account of sums issued to him in pursuance of the preceding subsection or received by him in pursuance of subsection (3) of this section in that year and of the disposal of the sums by him ; and
 - (b) to send the account to the Comptroller and Auditor General not later than the end of the month of November next following that year ;
- and the Comptroller and Auditor General shall examine, certify and report on the account and shall lay copies of it and of his report on it before each House of Parliament.

8 Guarantees

- (1) The Treasury may guarantee, in such manner and on such conditions as they think fit, the repayment of the principal of and the payment of interest on any sums which the Corporation borrows from a person other than the Secretary of State.
- (2) Immediately after a guarantee is given under this section the Treasury shall lay a statement of the guarantee before each House of Parliament; and where any sum is issued for fulfilling a guarantee so given the Treasury shall, as soon as possible after the end of each financial year (beginning with that in which the sum is issued and ending with that in which all liability in respect of the principal of the sum and in respect of interest thereon is finally discharged), lay before each House of Parliament a statement relating to that sum.

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- (3) Any sums required by the Treasury for fulfilling a guarantee under this section shall be paid out of the Consolidated Fund.
- (4) If any sums are issued in fulfilment of a guarantee given under this section, the Corporation shall make to the Treasury, at such times and in such manner as the Treasury from time to time direct, payments of such amounts as the Treasury so direct in or towards repayment of the sums so issued and payments of interest, at such rate as the Treasury so direct, on what is outstanding for the time being in respect of sums so issued.
- (5) Any sums received by the Treasury in pursuance of the preceding subsection shall be paid into the Consolidated Fund.

9 Exemption from petroleum revenue tax and stamp duty. 10. Accounts and audit

- (1) Petroleum revenue tax shall not be payable by the Corporation or a relevant subsidiary.
- (2) Stamp duty shall not be payable on any instrument as to which the Corporation certifies to the Commissioners of Inland Revenue that it was executed—
 - (a) solely for the purpose of transferring property from a Minister of the Crown to the Corporation; or
 - (b) solely for the purpose of transferring, in pursuance of a direction given by virtue of section 12(3) of this Act, property to the Corporation or any of its subsidiaries from the British Gas Corporation or any of its subsidiaries,
 and shall not be payable on any instrument as to which the British Gas Corporation certifies to the said Commissioners that it was executed solely for the purpose of transferring, in pursuance of such a direction, property to the British Gas Corporation or any of its subsidiaries from the British National Oil Corporation or any of its subsidiaries.
- (3) No such instrument as is mentioned in the preceding subsection shall be deemed to be duly stamped unless it is stamped with the duty to which it is liable apart from that subsection or is stamped in accordance with section 12 of the Stamp Act 1891 with a particular stamp denoting that it is not chargeable with any duty or that it is duly stamped.

- 10** (1) It shall be the duty of the Corporation—
- (a) to keep proper accounts and proper records in relation to the accounts ; and
 - (b) to prepare in respect of each accounting year, in such form as the Secretary of State may specify with the approval of the Treasury, a statement of those accounts showing the state of affairs and, subject to the following subsection, the profit or loss of the Corporation and giving separate information with respect to, and showing as far as may be the financial and operating results of, each of the main activities of the Corporation.
- (2) If the Secretary of State with the approval of the Treasury gives notice to the Corporation requiring it to prepare statements of accounts in accordance with this subsection, it shall be the duty of the Corporation to prepare, in respect of each accounting year during which the notice is in force and in the form specified in the notice, statements of the consolidated accounts of the group consisting of the Corporation and its subsidiaries, or, if the notice so requires, of the group consisting of the Corporation and any specified subsidiary or subsidiaries of the Corporation, showing—

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- (a) the state of affairs and the profit or loss of the group in question; and
- (b) the financial and operating results as far as may be of each of the main activities of the group in question ;

and a notice in pursuance of this subsection may provide that the statement of accounts to be prepared by the Corporation in pursuance of the preceding subsection in respect of any accounting year during which the notice is in force shall not be required to show the Corporation's profit or loss.

- (3) If the Secretary of State with the approval of the Treasury gives notice to the Corporation requiring it to prepare statements of accounts in pursuance of this subsection, it shall be the duty of the Corporation to prepare, in respect of each accounting year while the notice is in force and in the form specified in the notice, statements of accounts showing—

- (a) the state of affairs and the profit or loss of such of the following as are specified in the notice, namely—
 - (i) a group consisting of such of the Corporation's subsidiaries as are so specified ; and
 - (ii) each of the Corporation's subsidiaries so specified; and
- (b) if the notice so requires, the financial and operating results as far as may be of each of the main activities of the group or of each subsidiary in question.

- (4) The accounts kept and the statements prepared in pursuance of the preceding provisions of this section shall be audited by auditors appointed annually by the Secretary of State; and a person shall not be qualified to be so appointed unless he is a member of one or more of the following bodies—

the Institute of Chartered Accountants in England and Wales;
the Institute of Chartered Accountants of Scotland ;
the Association of Certified Accountants ;
the Institute of Chartered Accountants in Ireland ;
any other body of accountants established in the United Kingdom and for the time being recognised for the purposes of section 161(1)(a) of the Companies Act 1948 by the Secretary of State;

but a Scottish firm may be so appointed if each of the partners is qualified to be so appointed.

- (5) As soon as any accounts and statements have been audited in pursuance of the preceding subsection, the auditors shall send to the Secretary of State copies of the statements and any report made by the auditors on the accounts or statements and shall send to the Corporation a copy of any such report; and it shall be the duty of the Secretary of State to lay before each House of Parliament a copy of every document received by him in pursuance of this subsection.

Miscellaneous

11 Provision by Corporation of information for Secretary of State

It shall be the duty of the Corporation to provide the Secretary of State with such information as he may from time to time require with respect to the property, activities or proposed activities of the Corporation or any of its subsidiaries; but a requirement in pursuance of this section shall not impose upon the Corporation the duty of providing

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the Secretary of State with information which the Corporation does not possess and cannot reasonably be expected to obtain.

12 Co-ordination of activities of Corporation and British Gas Corporation and their subsidiaries

- (1) If the Secretary of State gives to the Corporation and the British Gas Corporation notice requiring them to consider together the relevant activities specified in the notice with a view to determining the extent (if any) to which those activities can, in the national interest, best be carried on by one or both of the corporations or any of their subsidiaries, it shall be the duty of the corporations to comply with the notice and to make to the Secretary of State, before such date as he may specify after consulting the corporations, a report upon their conclusions in consequence of complying with the notice.
- (2) It shall be the duty of the Secretary of State to lay before each House of Parliament a copy of each report made in pursuance of the preceding subsection.
- (3) The Secretary of State may, after considering any report made in pursuance of subsection (1) of this section and laying a copy of it before each House of Parliament and after consulting the said corporations about it, give to those corporations or either of them such directions as he considers appropriate with a view to securing that the arrangements which he considers are best in the national interest are made with respect to the activities in question ; and, without prejudice to the operation of section 16(2) of this Act, it shall be the duty of the British Gas Corporation to comply with any directions given to it in pursuance of this subsection.
- (4) In subsection (1) of this section " relevant activities" means any activities in which one of the said corporations or any of its subsidiaries and the other of those corporations or any of its subsidiaries are engaged or might in the opinion of the Secretary of State become engaged; and the power to give directions which is conferred by the preceding subsection is without prejudice to the generality of the power to give directions which is conferred by section 7 of the Gas Act 1972.

13 Transfer to Corporation of shares of NCB (Exploration) Ltd

On the day on which this section comes into force there shall by virtue of this section be transferred to and vest in the Corporation the interest of NCB (Coal Products) Limited in shares issued by National Coal Board (Exploration) Limited; and the first-mentioned company shall be entitled to receive from the Corporation a sum equal to the face value of those shares.

14 Control of subsidiaries

- (1) It shall be the duty of the Corporation to ensure, so far as it is able to do so, that no person is appointed as a director of a subsidiary of the Corporation unless his appointment has been approved by the Secretary of State.
- (2) It shall be the duty of the Corporation to ensure that a relevant subsidiary does not, except with the consent of the Secretary of State and in accordance with any conditions specified in the instrument signifying his consent,—

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- (a) exercise any power corresponding to a power for the exercise of which the Corporation is required by virtue of subsection (4) of section 2 of this Act to obtain such consent; or
- (b) issue any of its shares, stock or debentures to a person other than the Corporation ;

and the Secretary of State shall not give his consent in pursuance of this subsection in relation to a power corresponding to such a power as is mentioned in paragraph (c) or (d) of that subsection except with the approval of the Treasury.

- (3) It shall be the duty of the Corporation to ensure that, where a relevant subsidiary proposes to engage to a substantial extent in an activity in which it is not currently engaged or to increase substantially the extent of any activity in which it is currently engaged, the subsidiary gives notice of the proposal to the Secretary of State before carrying out the proposal.
- (4) It shall be the duty of the Corporation to ensure—
 - (a) that no relevant subsidiary borrows money otherwise than from the Corporation or from another relevant subsidiary except with the consent of the Secretary of State given with the approval of the Treasury; and
 - (b) that all sums received by a relevant subsidiary from any source or standing to the credit of a relevant subsidiary in any bank account, except such sums as the Secretary of State specifies from time to time for the purposes of this paragraph with the approval of the Treasury, are paid into the National Oil Account.

15 Annual report

- (1) It shall be the duty of the Corporation to make to the Secretary of State, as soon as possible after the end of each accounting year, a report on the performance of its functions during that year.
- (2) The report for any accounting year shall include—
 - (a) such information as the Secretary of State may specify with respect to the plans and the past and present activities of the Corporation ;
 - (b) particulars of any consents in pursuance of section 2(4), any directions in pursuance of section 4 and any notices in pursuance of section 5 of this Act which the Secretary of State has given during that year, except any particulars as to which he has given notice to the Corporation that in his opinion the publication of them would be contrary to the national interest or to the commercial interests of the Corporation or some other person;
 - (c) the text of any report made to the Secretary of State during that year in pursuance of section 3(4)(b) of this Act and a statement about changes in the management of the activities of the Corporation and its subsidiaries which have been or are to be made in consequence of the review to which the report relates;
 - (d) a statement of the amount by way of petroleum revenue tax and the amount by way of corporation tax which the Corporation estimates would, but for section 9(1) of this Act, have been payable by the Corporation and relevant subsidiaries in respect of their profit for that year;
 - (e) particulars of the remuneration paid by the Corporation to its members during that year.

- (3) The Secretary of State shall lay before each House of Parliament a copy of each report made to him in pursuance of this section.

16 Supplemental

- (1) Except where the context otherwise requires, in this Part of this Act the following expressions have the following meanings—
- " accounting year " means the period of twelve months ending with the 31st March in any year except that—
- (a) the first accounting year of the Corporation shall, if the Secretary of State so directs, be such period shorter or longer than twelve months (but not longer than two years) and ending on a 31st day of March as is specified in the direction; and
 - (b) the Secretary of State may by order direct that for a reference in the preceding provisions of this definition to 31st March there shall be substituted a reference to 31st December; and
- " petroleum " means any of the following (other than coal) namely—
- (a) mineral oil, natural gas and bituminous shales ;
 - (b) deposits not mentioned in the preceding paragraph from which oil can be extracted by destructive distillation; and
 - (c) hydrocarbons which are related to mineral oil and are not mentioned in the preceding paragraphs.
- (2) It shall be the duty of the Corporation to comply with any directions given to it by the Secretary of State in pursuance of any provision of this Act.
- (3) Section 5 of the Petroleum (Production) Act 1934 (which relates to accounts of receipts and expenditure under that Act) is hereby repealed.