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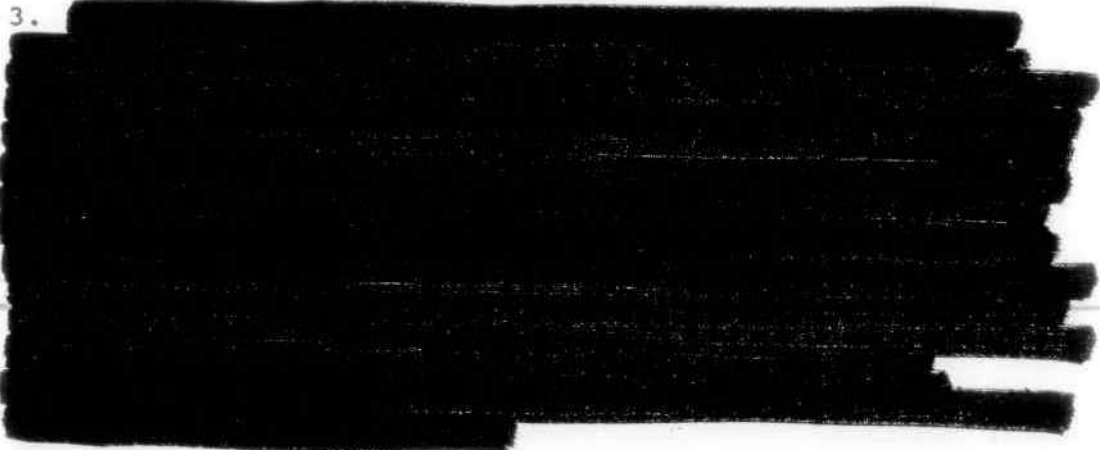
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COLOMBIA: BP

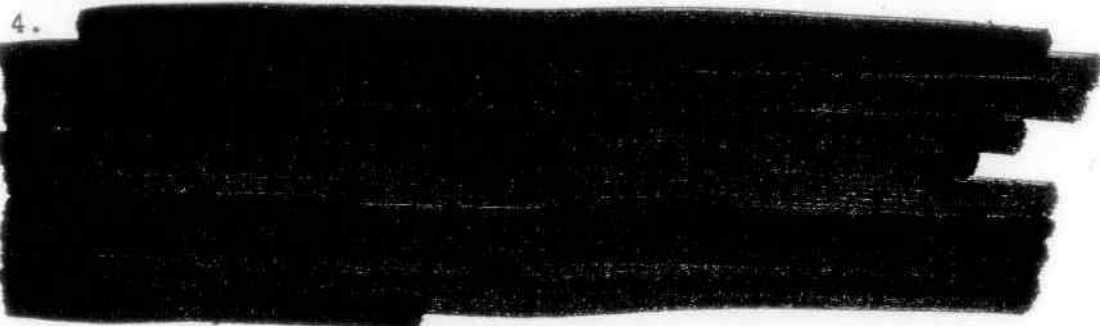
1. I called on Richard Campbell, President of BP Colombia, yesterday to discuss Mr Davis' forthcoming visit and current problems faced by BP in Colombia.

Taxation

2. Mr Campbell said that recent changes to the taxation system applied to oil companies would have little impact on BP, primarily because the changes would apply to new discoveries. Cusiana and Cupiagua had of course already been discovered and were fully prospected. There was some hope that the war tax on oil from Cusiana would end in 1997 or at least would be reduced; but the war tax on oil from Cupiagua would be applied for six years from the date of first production. Another problem was that the war tax was increased annually by the rate of inflation. Last year it went up 23% in peso terms but because of the peso's appreciation the increase in dollar terms was 30%.

3. 

Other Oil Companies

4. 

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The Davis Visit

5. I have already reported orally what Mr Campbell said about the inauguration programme. On the subject of contacts between Mr Davis and the Colombian Government, Mr Campbell said they would appreciate if the Minister could raise the following with the President and other Ministers during his forthcoming visit:

- (a) war tax - scope for further reforms?
- (b) scope for any incentives to attract new investment to the oil/gas sector
- (c) the importance of creating greater stability in Colombia's fiscal situation.

6. I am calling on BP this afternoon to obtain further details of the programme on 21 February.

[REDACTED]

[REDACTED]

8 February 1995

cc: [REDACTED] LAD, FCO
[REDACTED] XEA3, DTI

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