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International Oil Developments

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CONTENTS

 1.3(a)(4) C

4 January 1974

INTERNATIONAL OIL DEVELOPMENTS

CURRENT OVERVIEW

The startlingly large increases in oil prices decreed by Persian Gulf producers on 23 December – and now matched or exceeded by other major exporters – mean a world oil bill of about \$100 billion in 1974. The value of oil imports in 1974 will be twice as large as was expected before the late December price hikes. The additional cost will be about \$10 billion for the United States, \$23 billion for Western Europe, and \$8 billion for Japan.

According to Embassy sources in Jiddah, Saudi Arabia favored much smaller increases and fought Iran's demands for still higher prices. The result was a compromise between the \$5.50 per barrel hike favored by the Shah and the \$1.25 per barrel rise reportedly suggested by Saudi Oil Minister Yamani. Yamani has stated privately that he will reopen the price issue either in the Geneva OPEC meeting on 7 January or in the Tripoli OAPEC meeting now scheduled for 14 February. The other major producers apparently do not share Saudi fears of world recession and will resist any moves that could reduce their incomes. Indeed, if the issue is reopened, the result could easily be higher rather than lower prices.

While prices are soaring, the oil supply weapon apparently is being phased out. OAPEC's Christmas Day decision to replace the scheduled 5% January cutback with what is, in effect, an 11% increase is the most important – but not the only – sign of this relaxation. The January action will still leave supplies some 3 million b/d below September's output and an additional 1 million b/d less than the output projected for January before the crisis. This 4 million b/d loss represents about 11% of the oil in international trade.

The embargoes are also being relaxed. The Saudis reportedly are no longer insisting on having their own observers in Rotterdam before allowing their oil to transit that port en route to Belgium. West Germany probably

Note: Comments and queries regarding this publication are welcomed. They may be directed to [redacted] of the Office of Economic Research, [redacted] 1.3(a)(4) C will obtain similar treatment for its imports through the Netherlands. Moreover, there are persistent hints from official and nonofficial Middle East sources that the embargoes will be lifted entirely this month or next.

The consuming countries recognize that price increases are at least as great a threat as the constraints on oil supply. Most industrialized nations are maintaining the conservation measures originally instituted to cope with oil import costs. The less developed countries are calling for a two-tier price system or rebates to limit the rise in their oil import bills. Statements by Arab and Venezuelan leaders indicate that at least some of the producers recognize the justice of the LDC's complaints. Whether or not some relief is given to them, the industrialized consumers clearly will face enormous increases in costs for imported oil. All the major oil exporters have raised prices, and these countries have little reason, over the short run, to break ranks. (~~SECRET~~/[redacted]) ■ 1.3(a)(4) c

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WORLD OIL PRICES SKYROCKET

World oil prices have again been boosted to unprecedented levels. The Persian Gulf members of the Organization of Petroleum Exporting Countries (OPEC) led by the Shah of Iran started the latest round on 23 December by more than doubling the crude oil posted price in their countries. The increased posted prices, which are not sales prices but are used for tax calculation purposes, will increase Persian Gulf oil revenues to about $7 per barrel, up from about $3. Persian Gulf oil delivered to the US Gulf Coast is now expected to cost more than $9 per barrel, compared with $5 in November 1973.

The Persian Gulf action was quickly followed by price increase announcements from Venezuela, Libya, Ecuador, Indonesia, and Nigeria. Algeria, the only member of OPEC not yet to announce new prices, is expected to match Libya's level. The price increases in non-Persian Gulf countries will also add $4 to $5 per barrel to crude oil prices in those countries. The following tables show the effect the price increases will have on the estimated sales prices of selected producing countries. These prices reflect quality and transportation cost differentials of several types of crude oil.

Canadian oil prices will follow those of OPEC. Energy Minister McDonald has indicated that the export tax on crude oil could triple to $6.50 per barrel by 1 February. The tax, designed to keep the price of Canadian oil in line with world prices, was first imposed on 1 October at $0.40 per barrel, rose to $1.90 on 1 December, and again to $2.20 on 1 January. The United States currently imports about 1 million b/d of Canadian crude oil, or about one-third of US crude oil imports. A $6.50 export tax added to the $4.07 well head price and a $0.40 Edmonton-to-Chicago transportation charge would bring the average US price for Alberta crude to $10.97 per barrel.

The majority of crude oil in world trade will be sold at prices shown in the tables. However, an increasing amount of government-owned oil is being sold at substantially higher prices. Nigeria will acquire 320,000 b/d beginning this month under agreements that give Lagos 14.5% of the country's production. Nigeria has succeeded in selling the entire amount at $22.60 a barrel to several US and Japanese oil companies. The contracts are for two or three years with quarterly price revisions. The Iranian government recently sold 470,000 b/d for six months at prices ranging from $12 to $17 per barrel, reflecting quality differences. ~~(CONFIDENTIAL)~~

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Persian Gulf Crude Oil Prices[1]

	US $ per Barrel				Percent Increase
	1 Jan 1973	1 Oct 1973	1 Nov 1973	1 Jan 1974	1 Jan 1974 over 1 Jan 1973
Saudi Arabian 34° gravity oil					
1. Posted price	2.591	3.011	5.176	11.651	350
2. Royalty 12-1/2% of 1)	0.324	0.376	0.647	1.456	....
3. Production cost	0.100	0.100	0.100	0.100	....
4. Profit for tax purposes (1-(2+3))	2.167	2.535	4.429	10.095	....
5. Tax (55% of 4)	1.192	1.394	2.436	5.552	....
6. Government revenue (2+5)	1.516	1.770	3.083	7.008	362
7. Oil company cost (3+6)	1.616	1.870	3.183	7.108	340
8. Estimated oil company profit	0.500	0.500	0.500	0.500	....
9. Estimated sales price (f.o.b.) (7+8)	2.116	2.370	3.683	7.608	260
10. Estimated transportation cost[2] (to US Gulf Coast)	1.480	1.480	1.480	1.480	....
11. Estimated sales price (c.i.f.) (to US Gulf Coast)	3.596	3.850	5.163	9.088	153

1. Price increases shown are for Saudi Arabian light crude oil 34° API gravity. Saudi light is used as the benchwork for Persian Gulf crude because it is the largest single type of crude oil produced there and represents a good average between higher priced low-sulfur crude and lower priced heavier oil.
2. Using tanker rates of Worldscale 100.

(UNCLASSIFIED)

Nigerian Crude Oil Prices

	US $ per Barrel				Percent Increase
	1 Jan 1973	1 Oct 1973	1 Nov 1973	1 Jan 1974	1 Jan 1974 over 1 Jan 1973
Nigerian 34° gravity oil					
1. Posted price	3.561	4.287	8.404	14.690	313
2. Royalty (12-1/2% of 1)	0.445	0.536	1.050	1.836	....
3. Production cost	0.350	0.350	0.350	0.350	....
4. Profit for tax purposes (1-(2+3))	2.766	3.401	7.004	12.504	....
5. Tax (55% of 4)	1.521	1.871	3.852	6.877	....
6. Harbor tax	0.020	0.020	0.020	0.020	....
7. Government revenue (2+5+6)	1.986	2.427	4.922	8.734	340
8. Oil company cost (3+7)	2.336	2.777	5.272	9.084	289
9. Estimated oil company profit	0.500	0.500	0.500	0.500	....
10. Estimated sales price (f.o.b.) (8+9)	2.836	3.277	5.772	9.584	238
11. Estimated transportation cost (to US Gulf Coast)	0.670	0.670	0.670	0.670	....
12. Estimated sales price (c.i.f.) (to US Gulf Coast)	3.506	3.947	6.442	10.254	192

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Libyan Crude Oil Prices

	US $ per Barrel				Percent Increase 1 Jan 1974 over 1 Jan 1973
	1 Jan 1973	1 Oct 1973	1 Nov 1973	1 Jan 1974	
Libyan 40° gravity oil					
1. Posted price	3.770	4.688	8.925	15.768	318
2. Royalty (12-1/2% of 1)	0.471	0.586	1.116	1.971	....
3. Production cost	0.300	0.300	0.300	0.300	....
4. Profit for tax purposes (1-(2+3))	2.999	3.802	7.509	13.497	....
5. Tax (55% of 4)	1.649	2.091	4.130	7.423	....
6. Retroactive payment[1]	0.100	0.100	0.100	0.100	....
7. Government revenue (2+5+6)	2.220	2.777	5.346	9.494	328
8. Oil company cost (3+7)	2.520	3.077	5.646	9.794	289
9. Estimated oil company profit	0.500	0.500	0.500	0.500	....
10. Estimated sales price (f.o.b.) (8+9)	3.020	3.577	6.146	10.294	241
11. Estimated transportation cost[2] (to the US East Coast)	0.650	0.650	0.650	0.650	....
12. Estimated sales price (c.i.f.) (to the US East Coast)	3.670	4.227	6.796	10.944	198

1. During negotiations in the spring of 1971, the Libyans demanded substantial retroactive payment for their oil. Rather than make a large lump-sum payment the companies agreed to a permanent increase of US $0.10 per barrel.
2. Using tanker rates of Worldscale 100.

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Venezuelan Crude Oil Prices

	US $ per Barrel				Percent Increase 1 Jan 1974 over 1 Jan 1973
	1 Jan 1973	1 Oct 1973	1 Nov 1973	1 Jan 1974	
Venezuelan 26° gravity oil					
1. Posted price[1]	3.094	4.925	6.720	13.670	342
2. Estimated royalty (16-2/3%)	0.620[2]	0.620[2]	0.620[2]	2.280	....
3. Production cost	0.510	0.510	0.510	0.510	....
4. Profit for tax purposes (1-(2+3))	1.964	3.795	5.590	10.880	....
5. Tax (58% of 4)	1.139	2.201	3.242	6.310	....
6. Government revenue (2+5)	1.759	2.821	3.862	8.590	388
7. Oil company cost (3+6)	2.269	3.331	4.372	9.100	301
8. Estimated oil company profit	0.500	0.500	0.500	0.500	....
9. Estimated sales price (f.o.b.) (7+8)	2.769	3.831	4.872	9.600	247
10. Estimated transportation cost (to US Gulf Coast)	0.460	0.460	0.460	0.460	....
11. Estimated sales price (c.i.f.) (to the US Gulf Coast)	3.229	4.291	5.332	10.060	212

1. Including a short-haul freight premium.
2. These royalties were derived using a complex formula using the price of Texas crude. In November the oil companies agreed to apply the royalty to the Venezuelan posted price. Some of the newer concessions pay 20% or 25% royalties. (UNCLASSIFIED)

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OUTLOOK FOR OPEC COUNTRIES' OIL REVENUES IN 1974

The oil revenues of the OPEC nations will nearly quadruple this year to about $91 billion, even if prices are not increased further and the Arabs hold production 15% below the September 1973 level. The Arab countries alone will receive almost $50 billion. Saudi Arabia, which was unable to spend or effectively invest the $5.5 billion earned last year, will see its receipts jump to $20 billion. Another huge gainer in absolute terms will be Iran, whose revenues will rise from $4.5 billion to $18.5 billion. Prospective increases for most other OPEC members range from $2.5 billion to $7.5 billion. If the Arab states restore output to the pre-crisis level, they will obtain an additional $10 billion in revenues. (UNCLASSIFIED) ■

Oil Revenues of OPEC Members

Million US $

	1972	1973	1974 Projected
Total	**14,636**	**25,001**	**90,880**
Saudi Arabia	3,107	5,480	19,900
Kuwait	1,675	1,940	7,300
Libya	1,598	2,300	7,000
Iraq	575	1,670	6,400
Abu Dhabi	551	990	3,500
Algeria	700	980	3,400
Qatar	225	420	1,500
Iran	2,380	4,500	18,500
Venezuela	1,948	3,000	10,600
Nigeria	1,174	2,400	7,900
Indonesia	670	1,200	4,100
Ecuador[1]	21	121	780

1. Ecuador became a member of OPEC in November 1973.

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ECONOMIC IMPACT OF THE RECENT OIL MEASURES

Western Europe

The recent Arab decision to raise output by about 11% in January instead of cutting it another 5% will greatly ease Western Europe's oil pinch. The decision to allow crude oil destined for Belgium to transit the Netherlands also will be helpful. West European oil imports now will be an estimated 6%-7% below the September 1973 level in February, compared with a previously expected drop of about 13%. Perhaps more important, the Arab move should make the West European governments more willing to draw on their strategic oil stocks and reduce supply constraints promptly.

The Arab's production increase will even help the still-embargoed Dutch by facilitating company diversions of oil to Rotterdam. As a result, the decline from September to January and February in supplies of crude oil received by the Netherlands for refining should be considerably less than the 35% expected earlier. Dutch refinery output will remain well below normal, however, and countries that depend on Dutch products face above-average drops in supply.

Because of energy shortages and weakened confidence among businessmen and consumers, the oil supply crisis will help to slow European economic growth and raise unemployment in the early months of 1974. These problems will persist if the Arabs merely maintain oil production at the January level.

Even more serious is the recent sharp rise in oil prices, which will push Western Europe's oil import bill from $25 billion in 1973 to roughly $50 billion in 1974, assuming no change in physical volume. Unless compensated for by expansionary government policies, such a massive increase in import expenditures will have a powerful contractionary impact on the economy. The oil price hikes also presage a rise in inflation rates that already have reached 10% or more in most countries.

Japan

The Arab decision to accord Japan friendly status will ease the tight energy situation. The Arabs have promised – without providing specific details – to meet Japan's oil needs, and their deliveries should increase substantially within two months. Unless the amount of non-Arab oil now being diverted from Japan to other countries increases, Japanese oil supplies should return to near the pre-crisis level of 5.6 million b/d by March.

As a result of the Arab policy change, Tokyo has postponed introduction of stricter conservation measures. On 1 January, oil and electric power consumption in major industries was to have been reduced by 20%. Smaller cuts were to have been made for other industries and for certain non-industrial users. The government now plans to review the oil situation and decide – probably by 10 January – on what emergency measures still are needed. Some curbs beyond the selective 10% cuts already in effect are likely, but they will fall short of the 20% reductions scheduled previously.

Despite the good news from its Arab suppliers, Japan is still bracing itself for some economic dislocation. If oil imports for the whole of 1974 are close to the pre-crisis level, we would expect GNP to grow by only 3% to 5% in real terms, compared with the long-term average of 10%. Before the latest change in Arab policy, the outlook was for a slight decline in GNP.

Strong inflationary pressures will persist. Led by sharp increases in the price of oil and other imported materials, Japanese wholesale prices rose by about 25% in 1973; by about 5% in December alone. The recent sharp price hikes for oil guarantee continued high rates of inflation. Increased oil prices could also result in Japan's first trade deficit in a decade. The projected rise in the oil import bill from $6 billion in 1973 to $16 billion in 1974 would require a 20% increase in exports over the 1973 level to avoid a trade deficit this year. (SECRET) [redacted].

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BRITISH AND FRENCH DEALS FOR SAUDI PARTICIPATION CRUDE

France has obtained and Britain is about to obtain a government-to-government contract for the supply of Saudi participation crude over the next several years. Each country will be guaranteed 200,000 b/d and have options to extend the agreement and increase the quantity purchased.

In return for the guarantee, the French government will provide the Saudis with their first complete downstream operation. France reportedly will build a 500,000 b/d refinery for Saudi Arabia (retaining a minority

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interest in it) and will permit Saudi ownership of storage and distribution facilities. The French apparently will supply the technical knowhow and equipment, while the Saudis will finance the projects. Details of the British deal are not known but probably include the provision of machinery and technology for industrial projects in Saudi Arabia. Press speculation that the British and French have agreed to supply weapons in exchange for the oil guarantees is unconfirmed.

Neither France nor Britain will obtain any special price advantage from the contracts; the oil will be sold at market prices at the time of lifting. The agreements basically reflect fears of renewed disruptions of oil deliveries and a consequent grappling for guaranteed supplies. Both France and Britain apparently feel that King Faysal will stick to his word whatever the course of Arab-Israeli conflict. Although the amounts of guaranteed oil are small – 7%-8% of each country's current consumption – the agreements suggest a lack of French and British commitment to an international energy-action group. (~~SECRET~~/[redacted])

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FOREIGN MEDIA REACTION TO WORLD OIL DEVELOPMENTS

Japanese and West European press comment on energy during the past weeks concentrated on the 23 December oil price rise announced by the Persian Gulf producers and on the OAPEC decision of 25 December to increase oil production. Moscow, in the meantime, has adopted an increasingly anti-Western position in its reporting of oil developments to Middle Eastern audiences.

Japan's Sankei Shimbun, Asahi Shimbun, and Nihon Keizai Shimbun welcomed the OAPEC decision but noted that the Japanese Government should continue its energy conservation measures, tight money policy, and diplomatic efforts to deal with the petroleum shortage. The Mainichi Daily News suggested that Deputy Prime Minister Miki's proposed visit to the United States this month should afford him an opportunity to "ask the US Government to exercise its influence on Israel to withdraw Israeli troops in order to fulfill UN resolution 242." The Nihon Keizai Shimbun stood alone in noting that "Japan should have the courage to call on the Arabs to recognize Israel."

The West European press echoed Japan's reaction but in more caustic terms. Le Monde labeled the Arab maneuver a skillful one: the industrial nations accept with relief the promise of more oil even at a threefold increase in price in one year. As Le Monde put it, "the Western economies are more used to inflation than to shortages." The Frankfurter Allgemeine

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Zeitung bluntly said, "You may call this skillful management, but you might as well call it a continuation of the policy of blackmail initiated after the outbreak of the Middle East War." **Die Welt** of Hamburg, disturbed at the West's readiness to follow Arab instructions and meet every oil price demand, cautioned that such a submissive attitude was readily apparent to others in the Third World supplying other raw materials such as cotton, cocoa, peanuts, phosphates, and the like, and that the West might anticipate steep price increases for these items. Bonn's **General Anzeiger** advised that even those governments which have been granted an unlimited oil supply should not forget these lessons of the recent past, but rather should have as their prime objective a domestic supply of energy within the scope of reliable allies, since "Arab promises may quickly prove to be another fata morgana, a mirage – probably the oil producers will not come to their senses until they feel they are cutting their own throats with their arbitrary oil policy."

Moscow, apparently seeking to maintain credibility with the Arabs while collaborating with the United States in probing for a Middle Eastern peace formula, has adopted an increasingly partisan, anti-Western position in reporting and commenting on the oil issue for Middle Eastern audiences. Thus, in broadcasts beamed to the Middle East, Moscow has hailed the oil price hike decided by the OPEC Gulf states at their meeting in Tehran on 23 December and has urged the oil-producing countries to take further actions against the Western oil monopolies. The tendentiousness of Moscow's reporting is further illustrated by its failure to acknowledge the decision by OAPEC countries in Kuwait on 25 December to ease their production cuts. A broadcast in Arabic on the 26th pegged to the OAPEC meeting merely said the participants had decided to continue the use of the oil weapon.

Moscow has shown sensitivity over reports it has profited from the oil boycott to increase its sales to the West. Typical was a commentary in Arabic on 27 December which denounced a Kuwaiti newspaper for allegedly repeating Israeli propaganda to the effect that the USSR was selling oil to the Western countries "behind the backs of the Arabs." In a highly defensive tone, the commentary protested that Soviet oil shipments to Europe amounted to no more than 4% of European consumption, and that Soviet oil was exported to the United States only "rarely." (~~FOR OFFICIAL USE ONLY~~) ■

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NOTES

New Twists to Driving Bans in Austria and West Germany

Austria, reluctant to ban Sunday driving because of the possible effects on tourism, will instead institute one car-less day per week beginning 14 January. Each driver will be allowed to select his car-less day, which will be posted on the windshield and noted in the vehicle's registration. Physicians, clergymen, and diplomats are exempt. West Germany will replace the current total ban on Sunday driving with a partial ban beginning 20 January. Vehicles will be prohibited from operating every other Sunday, with the ban alternating between vehicles with odd and even final digits on their license plates. (UNCLASSIFIED)

Transshipment of Saudi Oil Through Rotterdam

Saudi Arabia is relaxing its insistence on having Arab inspectors in Rotterdam before allowing crude oil to transit that port en route to other nations. According to Oil Minister Yamani, the Saudis will now allow oil destined for Belgium to pass through the Netherlands on the basis of assurances from the companies or "disinterested inspectors" that none will be diverted to the Dutch market. Moreover, a recent Embassy cable indicates that the Saudis will allow the Dutch to refine Arabian oil for foreign markets. This reversal will break the Saudi-Dutch impasse over transshipment and allow Belgium to benefit fully from its newly acquired status as a favored nation. Normally, some 560,000 b/d – 62% of Belgium's oil imports – transit Rotterdam. Similar arrangements are likely to be made for Saudi crude oil moving through Rotterdam to West Germany. (CONFIDENTIAL)

STATISTICAL SURVEY

World Crude Oil Production

	September 1973		December 1973[1]	
	Thousand b/d	Percent	Thousand b/d	Percent
Western hemisphere	16,045	27.9	16,250	30.3
United States	9,149	15.9	9,200	17.1
Venezuela	3,395	5.9	3,400	6.3
Canada	1,745	3.0	1,800	3.4
Mexico	470	0.8	500	0.9
Ecuador	210	0.4	250	0.5
Others	1,076	1.9	1,100	2.0
Eastern hemisphere	41,438	72.1	37,440	69.7
Western Europe	395	0.7	400	0.7
Middle East	22,899	39.8	19,360	36.1
Saudi Arabia	8,534	14.8	6,400	11.9
Iran	5,793	10.1	5,900	11.0
Kuwait	3,480	6.1	2,610	4.9
Iraq	2,167	3.8	2,100	3.9
Abu Dhabi	1,381	2.4	1,040	1.9
Qatar	608	1.1	460	0.9
Oman	300	0.5	300	0.6
Dubai	273	0.5	200[2]	0.4
Others	363	0.6	350	0.7
Africa	6,163	10.7	5,480	10.2
Libya	2,286	4.0	1,710	3.2
Nigeria	2,102	3.7	2,250	4.2
Algeria	1,100	1.9	820	1.5
Others	675	1.2	700	1.3
Asia-Pacific	2,303	4.0	2,450	4.6
Indonesia	1,350	2.3	1,500	2.8
Others	953	1.7	950	1.8
Communist countries	9,678	16.8	9,750	18.2
USSR	8,663	15.1	8,700	16.2
China	630	1.1	650	1.2
Romania	275	0.5	300	0.6
Others	110	0.2	100	0.2
World total	57,483	100.0	53,690	100.0
Of which:				
OPEC[3]	32,406	56.4	28,440	53.0
OAPEC[4]	19,979	34.8	15,490	28.9
Arab producers[5]	20,552	35.8	15,990	29.8

1. Estimated.
2. Production reduced by offshore well fire.
3. The members of the Organization of Petroleum Exporting Countries are Abu Dhabi, Algeria, Ecuador, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and Venezuela.
4. The members of the Organization of Arab Petroleum Exporting Countries are Abu Dhabi, Algeria, Bahrain, Egypt, Iraq, Kuwait, Libya, Qatar, Saudi Arabia, and Syria.
5. Arab producers include all OAPEC producers plus Dubai and Oman. (UNCLASSIFIED)

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Estimated Pre-Crisis Arab Oil Exports, 1973[1]

Thousand b/d and Percent of Exports

			Western Europe										
Arab Oil Producers	Total	United States	Total	West Germany	United Kingdom	France	Italy	Netherlands	Other	Japan	Canada	Communist Area	Other
Total Arab	18,600	1,600	11,300	1,650	1,600	2,100	1,750	1,450	2,750	2,300	150	400	2,850
Percent	100	8.6	60.8	8.9	8.6	11.3	9.4	7.8	14.8	12.4	0.8	2.1	15.3
Saudi Arabia	8,000	600	4,350	500	550	600	700	750	1,250	1,250	50	Negl.	1,750
%	100	7.5	54.4	6.2	6.9	7.5	8.8	9.4	15.6	15.6	0.6	Negl.	21.9
Kuwait	3,100	150	1,750	100	350	300	300	350	350	650	Negl.	....	550
%	100	4.8	56.5	3.2	11.3	9.7	9.7	11.3	11.3	21.0	Negl.	....	17.7
Libya	2,200	350	1,700	500	250	150	400	100	300	Negl.	50	100	....
%	100	15.9	77.3	22.7	11.4	6.8	18.2	4.6	13.6	Negl.	2.3	4.5	....
Iraq	1,900	50	1,300	100	100	400	350	Negl.	350	50	Negl.	200	300
%	100	2.6	68.5	5.3	5.3	21.1	18.4	Negl.	18.4	2.6	Negl.	10.5	15.8
Abu Dhabi	1,150	150	600	....	200	300	....	....	100	300	50	Negl.	50
%	100	13.1	52.2	....	17.4	26.1	....	....	8.7	26.1	4.3	Negl.	4.3
Algeria	1,100	150	750	250	Negl.	250	....	50	200	....	....	50	150
%	100	13.6	68.2	22.7	Negl.	22.7	....	4.6	18.2	....	....	4.6	13.6
Other Arab	1,150	150	850	200	150	100	....	200	200	50	Negl.	50	50
%	100	13.1	74.0	17.4	13.1	8.7	....	17.4	17.4	4.3	Negl.	4.3	4.3

1. This table allocates imports on a direct and indirect basis – i.e. refined products from export refineries are traced to the source of the crude oil. The estimates are a yearly average for 1973 and therefore differ from estimates made at any specific time. For example, US dependence on Arab oil has increased throughout the year and in October was nearly 2 million barrels per day.

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Selected Consuming Countries' Dependence on Arab Oil
1972

Thousand b/d and Percent of Imports

	Total Consumption	Origin of Imports: Total[1]	Arab Oil: Total	Saudi Arabia	Kuwait	Libya	Iraq	Abu Dhabi	Algeria	Other	Iran	Venezuela	Others
United States[2]	16,350	4,750	850	300	50	250	....	100	100	50	200	1,700	2,000
%		100.0	17.9	6.3	1.0	5.3	....	2.1	2.1	1.0	4.2	35.8	42.1
Total Western Europe	14,200	14,400	9,902	3,573	1,873	1,889	867	369	684	647	1,648	276	2,574
Percent		100.0	68.8	24.8	13.0	13.1	6.0	2.6	4.8	4.5	11.4	1.9	17.9
Italy	2,005	2,217	1,534	566	303	421	244	....	....	....	353	....	330
%		100.0	69.2	25.5	13.7	19.0	11.0	....	....	....	15.9	....	14.9
France	2,315	2,364	1,836	495	342	196	287	227	219	70	142	36	350
%		100.0	77.7	20.9	14.5	8.3	12.1	9.6	9.3	3.0	6.0	1.5	14.8
United Kingdom	2,195	2,057	1,411	418	399	294	70	90	22	118	264	100	282
%		100.0	68.6	20.3	19.4	14.3	3.4	4.4	1.1	5.7	12.8	4.9	13.7
West Germany	2,885	2,052	1,466	380	87	570	38	....	228	163	196	74	316
%		100.0	71.4	18.5	4.2	27.8	1.9	....	11.1	7.9	9.6	3.6	15.4
Netherlands	787	1,810	1,258	608	372	82	8	....	23	165	308	9	235
%		100.0	69.5	33.6	20.6	4.5	0.4	....	1.3	9.1	17.0	0.5	13.0
Belgium-Luxembourg	624	879	424	268	127	....	29	....	....	....	100	....	355
%		100.0	48.2	30.5	14.4	....	3.3	....	....	....	11.4	....	40.4
Spain	700	775	520	226	66	62	38	....	97	31	48	17	190
%		100.0	67.1	29.2	8.5	8.0	4.9	....	12.5	4.0	6.2	2.2	24.5
Portugal	87	80	67	25	....	....	32	....	....	10	6	....	7
%		100.0	83.7	31.2	....	....	40.0	....	....	12.5	7.5	....	8.8
Other	2,602	2,166	1,386	587	177	264	121	52	95	90	231	40	509
%		100.0	64.0	27.1	8.2	12.2	5.5	2.4	4.4	4.2	10.7	1.8	23.5
Japan	4,800	4,757	2,162	1,067	595	4	30	269	....	197	1,680	8	907
%		100.0	45.4	22.4	12.5	0.1	0.6	5.7	....	4.1	35.3	0.2	19.1
Canada	1,665	730	183	77	3	38	16	39	1	9	98	373	76
%		100.0	25.1	10.6	0.4	5.2	2.2	5.4	0.1	1.2	13.4	51.1	10.4

1 Imports exceed consumption in some countries because they export products; the Netherlands transships some crude oil to other West European countries.
2 US imports are allocated on a direct and indirect basis, i.e., refined products from export refineries are traced to the source of the crude oil.

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Recent and Scheduled Reductions in Arab Oil Production[1]

	1973				1974
	September	October	November[2]	December[2]	January[3]
	Production (Thousand b/d)				
Total	20,129	18,490	15,600	15,700	17,410
Saudi Arabia[4]	8,534	7,810	6,400	6,400	7,250
Kuwait[4]	3,480	3,110	2,610	2,610	2,960
Libya	2,286	2,250	1,770	1,770	1,940
Iraq	2,167	1,800[5]	2,000	2,100	2,100
Abu Dhabi	1,381	1,360	1,040	1,040	1,200
Algeria	1,100	1,050	820	820	940
Qatar	608	600	460	460	520
Oman	300	300	300	300	300
Dubai	273	210[6]	200	200	200
	Percent Decrease from September 1973				
For all countries	....	8	22	22	14

Recent and scheduled reductions in Arab oil production measured against the production that previously had been expected for January 1974

	Thousand b/d									
	Saudi Arabia	Kuwait	Libya	Iraq	Abu Dhabi	Algeria	Qatar	Oman	Dubai	Total
Pre-cutback planned January production[7]	9,700	3,500	2,300	2,200	1,700	1,100	650	300	300	21,750
Production shortfalls due to cutbacks										
Volume	2,450	540	360	100	500	160	130	....	100	4,340
%	25	15	16	5	29	15	20	....	33	20

1. This table illustrates the effect of the OAPEC decision of 4 November and 25 December on Arab oil production through January 1974. Iraq did not sign the agreement and has not reduced production: Oman and Dubai, which are not members of OAPEC, are not expected to reduce production.
2. On 4 November, OAPEC agreed to a 25% production cutback in November, based on September production; OAPEC has exempted Japan, the Philippines, and most of Western Europe from December's planned 5% cutback; therefore, we assume no change in production from November in December except for Iraq, which is expected to raise output by 5%.
3. On 25 December, OAPEC agreed to roll back the 25% production cutback by 10 percentage points. Therefore, January production is estimated at about 85% of September production.
4. Including approximately one-half of Neutral Zone production.
5. Production reduced as a result of war damage to export facilities.
6. Dubai production reduced by offshore well fire.
7. Company forecasts where available; otherwise, OER estimate.

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Dutch Oil Trade
January-June 1973

Thousand b/d

Imports		Exports	
Total	3,225	**Total**	2,603
Crude oil	2,862	**Crude oil**	1,282
Arab	1,999	Western Europe	1,242
Saudi Arabia	900	Belgium-Luxembourg	429
Kuwait	559	Denmark	35
Libya	191	Finland	3
Iraq	17	France	24
Abu Dhabi	75	Ireland	20
Algeria	36	Italy	6
Qatar	139	Norway	5
Oman	15	Portugal	6
Dubai	1	Spain	20
Egypt	26	Sweden	26
Syria	40	United Kingdom	119
Iran	568	West Germany	549
Nigeria	249	East Germany	40
Venezuela	18		
Other	28		
Refined products	363	**Refined products**	1,321
Western Europe	192	Western Europe	1,019
Belgium-Luxembourg	40	Belgium-Luxembourg	131
France	27	Denmark	57
Italy	45	France	12
Spain	14	Sweden	36
United Kingdom	30	United Kingdom	209
West Germany	26	West Germany	522
Other	10	Other	52
Arab	45	Others and unknown	302[1]
Others and unknown	126		

1. Including bunkers.

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Pre-Crisis Consumption, Production, and Imports, by Major Area[1]

Thousand b/d and Percent of Consumption

	Total Consumption	Domestic Production	Origin of Imports: Total Imports	Arab Countries: Total Arab	Saudi Arabia	Kuwait	Libya	Iraq	Abu Dhabi	Algeria	Other Arab	Iran	Venezuela	Indonesia	Canada	Nigeria	Others
Total	57,000	57,000[2]	34,000	18,600	8,000	3,100	2,200	1,900	1,150	1,100	1,150	5,700	3,400	1,250	1,100	2,000	1,950
Percent	100.0	100.0	59.6	32.6	14.0	5.4	3.9	3.3	2.0	1.9	2.0	10.0	6.0	2.2	1.9	3.5	3.4
United States	17,300	10,900[2]	6,300	1,600	600	150	350	50	150	150	150	400	2,000	250	1,100	550	400
%	100.0	63.0	36.4	9.2	3.5	0.9	2.0	0.3	0.9	0.9	0.9	2.3	11.6	1.4	6.4	3.2	2.3
Western Europe	15,500	400	16,000[3]	11,300	4,350	1,750	1,700	1,300	600	750	850	1,900	500	Negl.	....	1,250	1,050
%	100.0	2.6	103.2	72.9	28.1	11.3	11.0	8.4	3.9	4.8	5.5	12.3	3.2	Negl.	....	8.1	6.8
Japan	5,400	Negl.	5,400	2,300	1,250	650	Negl.	50	300	....	50	2,050	Negl.	900	....	Negl.	150
%	100.0	Negl.	100.0	42.6	23.1	12.0	Negl.	0.9	5.6	....	0.9	38.0	Negl.	16.7	....	Negl.	2.8
Canada	1,750	1,850	900	150	50	Negl.	50	Negl.	50	....	Negl.	150	450	....	....	100	50
%	100.0	105.7	51.4	8.6	2.9	Negl.	2.9	Negl.	2.9	....	Negl.	8.6	25.7	....	....	5.7	2.9
Subtotal	39,950	13,150	28,600	15,350	6,250	2,550	2,100	1,400	1,100	900	1,050	4,500	2,950	1,150	1,100	1,900	1,650
%	100.0	32.9	71.6	38.4	15.6	6.4	5.3	3.5	2.8	2.3	2.6	11.3	7.4	2.9	2.8	4.8	4.1
Communist area	9,850	9,300	500	400	Negl.	....	100	200	Negl.	50	50	100	....	....	....	....	....
%	100.0	94.9	5.1	4.1	Negl.	....	1.0	2.0	Negl.	0.5	0.5	1.0	....	....	....	....	....
Others	7,200	34,550	4,900	2,850	1,750	550	....	300	50	150	50	1,100	450	100	....	100	300
%	100.0	479.9	68.1	39.6	24.3	7.6	....	4.2	0.7	2.1	0.7	15.3	6.2	1.4	....	1.4	4.2

1. This table allocates imports on a direct and indirect basis – i.e., refined products from export refineries are traced to the source of the crude oil. The estimates are a yearly average for 1973 and therefore differ from estimates at any specific time. For example, US dependence on Arab oil has increased through the year and in October was nearly 2 million b/d.
2. Including US production of natural gas liquids of 1.7 million b/d.
3. Western Europe's oil imports exceed consumption because it exports substantial quantities of oil outside Europe.

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Selected West European Countries: Importance
of Oil Imports Through Rotterdam
January-June 1973

Thousand b/d and Percent

	Belgium-Luxembourg	Denmark	Ireland	Sweden	United Kingdom	West Germany
Total oil	909	440	135	554	2,726	2,958
Via Rotterdam	560	92	20	62	328	1,071
%	62	21	15	11	12	36
Crude oil	718	202	60	224	2,255	2,209
Via Rotterdam	429	35	20	26	119	549
%	60	17	33	12	5	25
Products	191	238	75	330	471	749
Via Rotterdam	131	57	....	36	209	522
%	69	24	....	11	44	70

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Sources of European Community Energy

Percent of Gross Inland Consumption

	European Community			1972								
	1957	1967	1972	West Germany	France	United Kingdom	Italy	Netherlands	Belgium	Luxembourg	Denmark	Ireland
Domestic	77	48	40	48	26	50	20	84	16	1	....	21
Coal	72	39	23	37	12	36	Negl.	3	15	....	....	19
Natural gas	1	3	11	6	4	11	10	78	Negl.	....	....	....
Electricity	1	4	4	2	9	4	9	Negl.	Negl.	Negl.	....	2
Crude oil	2	2	1	3	1	Negl.	Negl.	3	....	....	....	....
Net imports	23	52	60	52	74	50	80	16	84	100	100	79
Coal	4	2	2	4[1]	6	1	7	2	10	53	8	10
Natural gas	....	Negl.	Negl.	3	3	Negl.	1	32[1]	14	2	....	....
Electricity	....	Negl.	Negl.	1	1[1]	Negl.	....	1[1]	Negl.[1]	13	.2[1]	....
Oil	19	49	58	52	66	48	73	47	60	31	94	69
Of which:												
Arab	13	35	40	37	51	33	50	33	40	21	60	48

1. Net exports.

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Summary of Conservation Measures Adopted

Country	Consuming Sector				
	Transport	Industry	Commercial	Household	Trade
Australia					Banned export of natural gas and uranium
Austria	Substantial price rises, reduced speed limits, voluntary Sunday closing of gas stations, reduce octane contents of premium gasoline, driving prohibited one day per week	Substantial price rises	Substantial price rises	Substantial price rises	
Belgium	Ban on Sunday driving, sale of gasoline in containers prohibited	Reduced energy usage	Reduced energy usage	Reduced school week, sale of gasoline in containers prohibited	Export licensing for most petroleum products
Bulgaria	Gasoline rationing, increased gas prices, lowered speed limits	Banned use of heating appliances during peak hours, change of work shifts and days to redistribute power load	15% decrease in heating oil consumption in government and business offices		
Canada	Increase in gasoline prices				Minor cutbacks in exports to US
Colombia	Limited sales of jet and marine fuel				
Czechoslovakia			Cutback in government energy consumption		

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Summary of Conservation Measures Adopted
(Continued)

Country	Consuming Sector				
	Transport	Industry	Commercial	Household	Trade
Denmark	Ban on Sunday driving, reduced speed limits, 20% reduction in diesel fuel supplies	Sulfur content restrictions eased, 25% reduction in oil supplies	25% reduction in heating oil supplies, ban on outdoor lighting	25% reduction in heating oil supplies	
Finland	50 mph speed limit		After hours advertising lighting ban		Oil export controls imposed
France	Reduced highway speeds, flight cutbacks	25% cut in natural gas supplies to some users	Curbs on nighttime lighting of monuments, store displays, and office buildings, limit of 4% increase in heating oil deliveries, reduced television transmission, sale of gasoline in containers prohibited, 25% cut in natural gas supplies to some users	Voluntary heating restrictions, sale of gasoline in containers prohibited, 25% cut in natural gas supplies to some users	
Greece	Reduced speed limits, ban on Sunday driving	Electricity use cut 10%	Electricity use cut 10%	Electricity use cut 10%	
India	Increased prices of gasoline and kerosene		Increased prices of gasoline and kerosene	Increased prices of gasoline and kerosene	Restricted bunkering
Ireland	Issued gasoline rationing, applications – not yet in effect, reduced oil supplies by 10%	5% reduction in deliveries	5% reduction in deliveries	10% reduction in deliveries	
Italy	Ban on Sunday driving, raised price of gasoline, banned weekend gasoline sale, reduction in airline speeds, reduction in use of diesel, heating, and residual fuel oils	Reduction in use of diesel, heating, and residual fuel oils	Restricted outdoor lighting and movie showings, early closing of nightspots and government offices, reduction in use of diesel, heating, and residual fuel oils	Reduced television transmission, 20% decrease in heating oil deliveries, reduction in use of diesel, heating, and residual fuel oils	Banned all oil exports, including to other EC nations

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Summary of Conservation Measures Adopted
(Continued)

Country	Consuming Sector: Transport	Industry	Commercial	Household	Trade
Japan	Voluntary conservation measures	10% cut in power and oil consumption in most major industries	Voluntary conservation measures	Voluntary conservation measures	
Luxembourg	Ban on Sunday driving, reduced speed limits, 40% increase in gasoline prices, reduced gas station hours	Fuel oil prices raised 20%	Fuel oil prices raised 20%	Fuel oil prices raised 20%	
Mexico	100% increase in gasoline prices, increase in POL prices		Increased LPG prices	Increased LPG prices	
Netherlands	Fuel rationing effective 7 Jan 1974, 4 gallon weekly limit per car, sale of gasoline in containers prohibited, 40% reduction in state road lighting	Deliveries reduced 15%	Deliveries reduced 15%, cutbacks in illumination in show windows, advertising, and holiday lights	Deliveries reduced 15%, sale of gasoline in containers prohibited	Export licensing for most oil products
New Zealand	50 mph speed limit, regulations allowing gas stations to refuse unusual sales	Stoppage of all oil-fired power stations	Ban on oil company promotional advertising, oil supplies to fishing vessels cut off	Limited sales to overseas shipping	
Norway	Gasoline rationing, gas stations closed at night and on weekends, automobile rallies and competitions prohibited, ban on Sunday driving	Gasoline rationing, 25% reduction in heating fuel deliveries between Oct 1973 and May 1974	Gasoline rationing, 25% reduction in heating fuel deliveries between Oct 1973 and May 1974		

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Summary of Conservation Measures Adopted
(Continued)

Country	Transport	Industry	Commercial	Household	Trade
	Consuming Sector				
Philippines	Increased prices, gasoline rationing	Increased prices, priority allocation to food processing and public utilities	Increased prices	100% surtax on electric power usage exceeding 90% of established monthly average	Elimination of import duties on petroleum, restricted bunkering for ships and air carriers
Poland	Restrictions on Sunday and holiday driving, speed limits reduced, decrease in gasoline consumption of government vehicles				
Portugal	Limited sales of gasoline, 10% increase in prices, weekend gasoline sales prohibited, increase in diesel oil and high-grade petrol prices, reduced speed limits	Increased prices	Increased prices	Increased prices	
Romania	Gasoline rationing for private vehicles, priority for commercial vehicles, lower speed limits	Rationing and regulation of gasoline, fuel oil, and electricity, temperature reductions	Temperature reductions	Temperature reductions	
Singapore		Increased prices	10% reduction in electrical power consumption		Restricted bunkering services
South Africa	Weeknight and weekend closing of gas stations, 50 mph speed limit				
South Korea	Decreased speed limits, increased tolls, banned Sunday gas sales, curtailed operation of buses, taxis, and air service	Fuel deliveries to all industries reduced 25%, strategic industries receiving priority allocation	Television transmission hours cut, reduced shopping hours, closure of commercial indoor swimming pools, external department store lighting banned	Reduced temperatures, sharing of remaining petroleum supplies	Ban on export of petrochemical products, ban on coal exports expected

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Summary of Conservation Measures Adopted
(Continued)

	Consuming Sector				
Country	Transport	Industry	Commercial	Household	Trade
South Vietnam	Oil supplies cut 10%, prices increased 36%-47%, restricted gasoline sales, reduced speed limits, 50% cut in civilian in-country air flights, container sales prohibited	Prices increased 36%-47%, supplies cut 10%	Prices increased 36%-47%, electrical use cut 10%, lighted advertising prohibited	Prices increased 36%-47%, electrical use cut 10%, home air conditioning prohibited	
Spain	Restricted gasoline sales, 20% price rise	20% price rise	20% price rise	20% price rise	Oil exports restricted
Sweden	Gasoline rationing	Gasoline rationing	Gasoline rationing, advertising lighting banned, street and store lighting restricted, electricity rationing	Electricity rationing	
Switzerland	Ban on Sunday driving, reduced speed limits, 15% - 20% reduced gasoline allocation by suppliers				
Taiwan	Banned nighttime gasoline sales, limited Sunday and holiday gas sales	3% reduction in line voltage, 25% reduction in energy consumption by all government agencies	3% reduction in line voltage, cutback on outdoor lighting and on air conditioning in public offices, cutback television broadcasting	3% reduction in line voltage	
United Kingdom	Distributed ration coupons – not yet in effect, 50 mph national speed limit, 17% aviation fuel cutbacks, raised price of gasoline	Three-day workweek effective 1 January, 10% reduction in oil deliveries	Three-day workweek effective 1 January, 10% reduction in oil deliveries, banned use of electricity for heating purposes, heating and lighting cutbacks, reduction in television transmissions, electricity cutbacks	10% reduction in oil deliveries, electricity cutbacks	Export licensing for all oil products, 10% cutback in bunkering
West Germany	Driving ban on alternate weekends effective in mid-Janaury				Imposed export licensing system on oil products
Yugoslavia	Increased gas prices, limit on gasoline purchases				

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