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SEPTEMBER 19, 1974

OPEC's Tax Probably Means Consumer Oil Price Increase

[redacted]

At their conference in Vienna last week, the oil ministers of the Organization of Petroleum Exporting Countries decided to freeze posted prices, but to raise the taxes paid by the international oil companies. Depending on how each of the OPEC members implements the tax increase, the average cost of oil to the companies is expected to increase between 40 and 50 cents per barrel.

The ministers made an effort to convince the consuming nations that the increase in taxes could come out of oil company profits and should not result in higher oil prices to the consumer.

[redacted]

If the companies pass on the full tax increase, the oil bill for consuming countries will rise by between $4.4 billion and $5.5 billion annually. The increase for major oil-consuming countries would be as follows:

	Million US $
US	900-1,130
Japan	775-970
UK	335-420
West Germany	450-560
France	410-510
Italy	290-360

The ministers also decided that, beginning in January 1975, the rate of inflation in the industrialized countries will be taken into account in setting oil prices. This action would preclude any easing of the burden of oil prices as a result of continuing world inflation.

The OPEC ministers agreed on little else at Vienna. Some of the more contentious issues like managing production cuts and schemes to establish a single price for oil were referred to working groups in preparation for the December OPEC meeting.

The prorationing issue was particularly touchy. Iran's representative, Amouzegar, was opposed to any scheme that could require his country to cut production.

Saudis Odd Man Out

Saudi oil minister Yamani was odd man out in Vienna, just as he was at Quito in July. He refused to go along with the

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Iranian representative Amouzegar

Saudi oil minister Yamani

other members' plans to increase oil revenues by raising company taxes. Instead, he indicated that the Saudis would increase their revenues by raising the buyback price of government-owned oil to nearly 95 percent of posted price—the buyback price for most of the Gulf countries being 93 percent.

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