

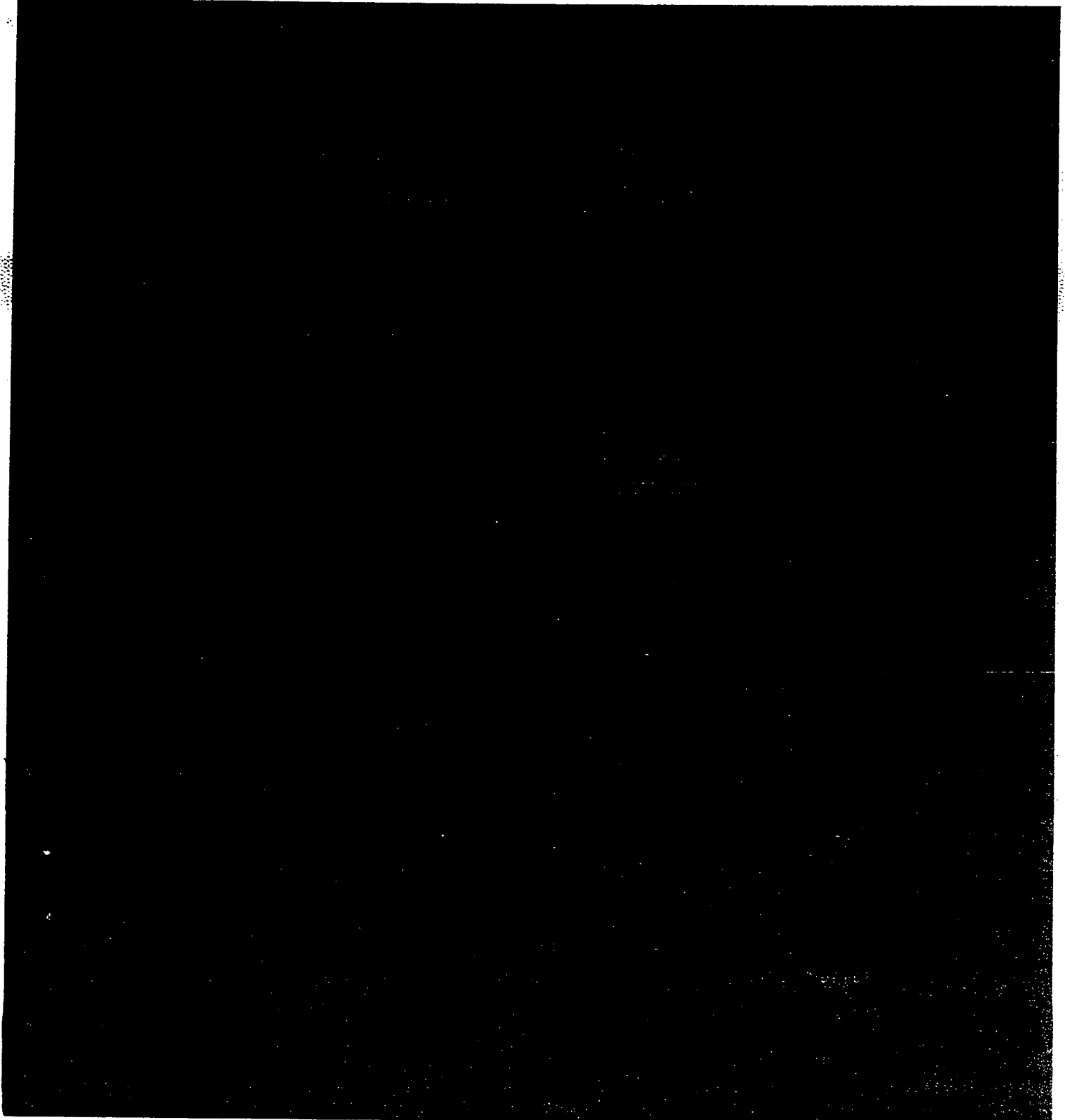
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Soviet Comments on CIA Energy Projections

Central Intelligence Agency
National Foreign Assessment Center

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Introduction

Since it was issued last year the CIA analysis of Soviet oil production prospects¹ has been the subject of comment by Soviet officials. At hand are reports on the statements of over 20 officials who have spoken either directly about the CIA study or about the broad questions it raises. In several cases, most notably that of Premier Kosygin, more than one discussion of the subject by an official is on record. The limited sample of opinion available and its generally inconclusive nature provide no precise guide to future Soviet energy policy, but it shows that Soviet authorities are not ignoring the difficulty of maintaining their present oil position and see the need to go beyond a business-as-usual approach to the problem.

The opinions voiced by Soviet officials may be roughly divided into three categories—optimistic, cautious, and pessimistic. The cautious group tends to be made up of officials responsible for energy policy and the oil industry. On balance these officials are less optimistic about the future than those who are not so closely involved or knowledgeable. In contrast, this latter, broader group of officials tends to extremes of opinion, with optimists outnumbering pessimists two to one.

Optimistic Views

The optimistic point of view is expressed by those who summarily dismiss the CIA analysis and assert strongly their conviction that Soviet oil needs will be fully met. Certain problems arise, however, in interpreting such statements. Although the CIA analysis has prompted Soviets to discuss their oil and energy

¹ In April 1977 the CIA published a pair of unclassified reports, *Prospects for Soviet Oil Production* and *The International Energy Situation: Outlook to 1985*. *Prospects for Soviet Oil Production—A Supplementary Analysis*, also unclassified, was issued in July. These reports predicted that Soviet oil production will peak no later than the early 1980s and then soon begin to decline. They foresaw that during the next decade the USSR might find itself not only unable to supply oil to Eastern Europe and the West on the present scale, but also having to compete for OPEC oil for its own use.

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situation in broader terms than has been customary, the origin of the analysis has also probably colored their remarks. Some officials may have spoken more positively than they would have otherwise because of a natural inclination to minimize a foreign, and especially a CIA, study of Soviet problems. Certainly, several of the optimistic responses were made in forums where concerns of national image and propaganda played a part.²

These discussions frequently dwell more on denigrating foreign analysis than on elucidating the Soviet situation. Assurances about the future are usually vague. For example, exports to East European countries are commonly discussed not in terms of amounts, but in terms of meeting commitments.

Rosy prognoses have also been offered by informed scientists speaking in [redacted] were told that the Soviet Union will be able to maintain an export capacity well into the future when they talked to M. A. Styrikovich, an official of the Academy of Sciences and an expert on power engineering, and A. S. Nekrasov, chief of the fuel energy balance section of the Central Economic and Mathematics Institute. Both focused on the promise of exploration in new regions and tertiary recovery methods, which will achieve yields up to 70 percent, according to Styrikovich. Styrikovich admitted, however, that the Soviet Union is running out of cheaply produced oil and that the price will have to rise. Nekrasov, on the other hand, seemed to imply that a dramatic rise in international prices—perhaps to \$200 a barrel by the end of the century—would offset the fact that Soviet oil exports are unlikely to grow any further.³

An additional problem in evaluating optimistic statements is their occasional inconsistency. At times this may reflect a conflict between the impulse to discount critical foreign analysis and familiarity with existing problems. Some members of foreign affairs institutes have scoffed at the CIA analysis while mentioning problems that would seem to belie such confidence.

For example, Ye. S. Shershnev, deputy director of the Institute of the USA and Canada, while claiming that the USSR has enough resources to meet

² Concern for public opinion was clearly behind early Soviet Embassy press releases and comments by Soviets to the Western press. Last spring the Soviet Embassy in Washington distributed a commentary on the CIA analysis by B. V. Rachkov, who recounted a history of allegedly incorrect Western predictions concerning Soviet oil production and policy and faulted the CIA for now assuming that the Soviet energy industry would have the same problems as its Western counterpart. In interviews with the *Boston Globe* in May, E. A. Aykazyan, chief of the USA section of the State Committee for Science and Technology, said that the CIA report overstated the problems, and Ye. S. Shershnev, deputy director of the Institute of the USA and Canada, said that the USSR had enough oil to meet its needs for the foreseeable future.

³ Other officials, less expert, have also adopted a positive line. At the 11th Dartmouth Conference in July 1977, L. M. Gromov of the Institute of World Economics and International Relations denied that oil production is peaking and will turn down in the 1980s and pointed to continued development of energy resources in Siberia. In speaking with Senator Adlai Stevenson in January 1978, Gosbank Chairman V. S. Alkhimov scornfully rejected the idea of running out of oil for export, although he acknowledged limitations on exports to East European countries, which he said use too much energy.

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future oil needs, admitted that it has been impossible to follow up drilling possibilities in the north because equipment is lacking and acknowledged that the high cost of domestic development makes purchases of OPEC oil attractive. N. N. Inozemtsev, director of the Institute of World Economy and International Relations, criticized the CIA analysis for applying old production coefficients to new areas and for ignoring the possibility of substitutes for oil. He admitted, however, the difficulties in developing Arctic deposits and the existence of differences between the USSR and its allies over the rate of growth of Soviet oil exports to Eastern Europe.

Other officials may vary their tone and message to suit different audiences and different political purposes. For example, A. M. Lalayants, Gosplan deputy chairman responsible for fuels, used the internationally circulated weekly *New Times* in December to reject the CIA's "statement asserting that the USSR will soon turn into a big importer of oil because of a decrease in reserves"—a message quite different from the pessimistic prognoses he and other Soviet officials have been conveying to East Europeans in recent years.

Beyond the question of motives, the optimistic comments, as well as many of the more cautious ones discussed in the next section, reflect some basic assumptions and attitudes that are probably characteristic of Soviet society in general.

Most generally, officials pin their hopes on the assumption that Siberia holds huge stores of yet undiscovered or unexploited energy resources. Thus, when discussing how the flow of oil will be maintained in the 1980s, Soviet officials often mention increased exploration, the discovery of new large deposits, and offshore drilling in the Barents Sea. Clearly, this sense that enormous resources exist in the vastness of the eastern regions makes the idea of an oil crunch in the near future hard for many individuals to accept.

One official voiced an attitude that is common to many when he responded to the question of where the "next Samotlor" (the country's largest oilfield) is likely to be found. He replied grimly, "The geologists will find one." Those who are cautious more openly acknowledge not only that many of these reserves are not proven, but that all phases of exploitation will be difficult and costly. Some note that Western technology will be necessary, for example, in offshore drilling, and they rest some of their hopes on its availability.

Soviet officials frequently express the expectation that improved secondary and tertiary methods of oil recovery will greatly increase the yields from the newer fields in Siberia in comparison to the yields of the older fields that are now in decline. A common criticism of the CIA study is that it allegedly assumes that the older pattern of exploitation will be repeated. Yet many of

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these expectations—for example, for yields of from 40 to 70 percent—appear to be unrealistic in light of Western experience.

A faith in the efficacy of a planned economy sustains the hopes of many. The more sophisticated believe that the Soviet Union will be spared the chaos they see spawned by market forces in the West. Others appear simply to hold to a belief that everything is developing according to a master scheme. Speaking more specifically, officials cite several measures that planners can take to maintain balance in the fuel sector, including substituting other energy sources for oil, developing nuclear power, and increasing the efficiency of energy use.

Cautious Commentary

A second group of officials has expressed views best described as only cautiously hopeful. This group is more important than either the optimists or the pessimists because it is made up primarily of officials responsible for energy policy and the oil industry. While reciting many of the above themes, they refrain from arguing against the CIA reports directly and are less categorical in expressing their belief that the Soviet Union will escape serious oil deficiencies. Their remarks also touch less common topics that reflect their more circumspect thinking about the future.

These officials speak of the unknowables involved in forecasting, often not to berate the CIA projections, but to explain their own lack of precision and total assurance. They are more willing to identify the Soviet situation with the worldwide energy problem and to recognize that similar solutions are required in the national and international contexts. They speak more directly about the need for conservation and more efficient use of fuels and of the value of Western technology to Soviet development plans.

The sober approach of officials accountable for energy policy and the performance of the oil industry is due not only to their better grasp of the situation, but also to the fact that they can expect to be called upon to produce what they project. The optimism of Styrikovich and Nekrasov noted above, for example, comes from scientists who are knowledgeable about energy matters but bear no operational responsibilities. In contrast, the minister of a related fuel sector, the gas industry, has spoken pessimistically about the future.

The difficulties encountered in making projections have probably had a more sobering effect on the officials directly involved than on other officials who have been free to let their opinions range more widely. Yet throughout, the views expressed by Soviet officials reflect their lack of a reliable data base concerning both oil production and consumption. The lack of figures is often acknowledged and has been used to explain to trading partners the USSR's

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inability to make commitments for oil and natural gas exports after 1980. Gosplan officials said last May that formulation of the long-term plan (1976-90) had encountered serious difficulties in, among other things, the calculation and allocation of energy resources. *

At the same time, responsible officials repeat that the Soviet Union is basing long-term plans on the assumption that it will remain self-sufficient in fuels. This clearly remains the bedrock of official policy.

Kosygin and Kirillin

Premier Kosygin and his deputy V. A. Kirillin are the highest ranking officials to have commented directly in the past year on foreign discussion of the Soviet Union's fuel prospects. At times they have been equivocal in their remarks, but in general they have tried to convey an assurance that oil supplies will be adequate in the future while admitting the difficulties and unknowns involved in securing them.

During a meeting with Finnish President Kekkonen in Helsinki last March, Kosygin contrasted the difficulties Western countries were having resolving the energy crisis with the planning process that allegedly allows the Soviets to avoid such problems. He assured Kekkonen that Soviet resources of crude oil will not decrease between 1980 and 1990 and that the Soviet Union will remain a reliable supplier of oil to Finland over the next 15 years.

Overall, however, Kosygin's comments indicate that he views the energy question as a serious one. Even to Kekkonen, he acknowledged that fuel problems cannot be solved easily, and the figures he gave on oil production for 1977 and 1980 were below the targets in the five-year plan. When Kosygin talked to British Secretary of State for Trade Edmund Dell in May, he said that the USSR must get going on developing its own oil deposits at sea, and he was principally interested in the speed and methods used in developing North Sea oil.

In discussing a fuel and energy program for CEMA at the annual Council meeting in June, Kosygin took a relatively somber line. He identified the fuel situation in CEMA countries with the worldwide situation, saying that the fuel and energy problem is one of the most acute problems of economic development throughout the world, and that all countries are seeking its solution through the more economic use of energy resources. Kosygin acknowledged that, in projecting the consumption of energy resources in the future, the CEMA countries are taking into account the new situation in the world, and he spoke of the complications involved in developing fuel sectors.

* At that time, Gosplan [redacted] of the energy situation—production and demand—through 1990.

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In a similar vein, Deputy Premier Kirillin observed that "we all have an energy problem," when a [redacted] in July mentioned the CIA study and President Carter's emphasis on energy. Paralleling Kosygin's interest in developing offshore deposits, Kirillin expressed moderate optimism about prospects in the Barents Sea. He stated, however, that no oil findings had yet been made there.

In discussing Soviet plans with British Secretary of State for Energy Anthony Benn last May, Kirillin said that he could not give exact figures for oil and gas production in the plan for 1990 because the resources had yet to be proven, and much depended on geological discoveries yet to be made. When asked about the Soviet Union's net oil position during the 1980s, Kirillin said that the country would be self-sufficient and would export oil in both 1980 and 1990. His carefully phrased answer did not exclude the possibility that the Soviet Union might be a net importer of oil at least temporarily during the middle 1980s.

Oil Industry Officials

Petroleum Industry Minister Maltsev and First Deputy Minister Mishchevich have been defensive and tight-lipped in responding to questions about the CIA analysis. Maltsev asked British Secretary Benn whether 10 years ago Secretary James Schlesinger could have predicted Britain's current oil situation. Regarding the CIA forecast, Mishchevich has said only, "Wait and see," and he admitted that oil figures for the 15-year plan were still being worked on in July.

At the same time, most oil ministry officials have doggedly asserted that the Soviet Union, unlike all other industrially developed states, is basing its economic growth exclusively on its own energy resources and will continue to be an oil exporter. Deputy Minister Zhdanov, however, told a Department of Energy official in December that consumption trends will determine whether the Soviet Union becomes an importer of oil in the next decade. He believes that, if the country continues to burn oil as a fuel, it will be in the same situation as the US.⁵

Ministry officials have focused attention on recovery methods, and in doing so have acknowledged some of the problems in oil production noted in the West. In a newspaper article in September, Maltsev wrote that "traditional methods of oil extraction, including flooding, bring out only part of the fuel" and "we are no longer satisfied with the situation in this sphere." The article spoke of a long-term, comprehensive program to introduce new methods of oil

⁵ Zhdanov opined that the USSR will probably continue to export oil, although most will go to "socialist" countries. According to the chief of the ministry's Foreign Relations Administration, P. A. Arushanov, oil deliveries to "socialist" countries will increase in accordance with commitments made, while deliveries to the West will stay at the same level or increase only slightly.

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extraction. Mishchevich [redacted] that the Soviet Union is going to try to raise the oil recovery rate from 30 to 50 percent by using tertiary methods. He conceded, however, that increasing recovery even to 40 percent would be difficult.

Reliance on Western technology was implied in Mishchevich's comments on developing offshore deposits. He said that the Soviets would be buying more US equipment and that offshore operations with the US would be welcome, noting hopefully, "You helped the British explore the North Sea."

An additional aspect of the reaction to the CIA analysis is the use to which it may be put in domestic bureaucratic battles over energy policies and investment allocations. There is no direct evidence on this score, but [redacted] [redacted] early last year, oil producers were engaged in the sort of allocations dispute in which they would have found the analysis in the CIA reports welcome. In order to obtain larger allocations for developing new fields in eastern regions and for the distribution of oil, the producers reportedly had made projections of oil output that were clearly below the capabilities of the industry. Soviet foreign trade officials told Finnish officials that the ensuing allocations dispute with Gosplan partly explained the inability to provide projections of oil exports over the long term.

Comments from Other Officials

Cautious comments have come also from officials outside the oil industry. When N. P. Lebedinskiy, deputy chairman of Gosplan was asked by a [redacted] last July about energy prospects in light of the CIA analysis, he replied that the problem "might" be solved, that it is not "unmanageable." He said that the 15-year plan is being held up not because of uncertainty about oil, but because of uncertainty about consumption and other unknowns. Members of the Institute of Economics of the World Socialist System told [redacted] in October that the CEMA countries' energy problems and ultimate solutions are similar to those of the West. They did not deny that the Soviet Union would not be able to meet Eastern Europe's future demands in the same proportion as at present.

Recently, Western reporters received rather mixed responses from local officials in the Tyumen oblast. A party official said that intensive development of the Samotlor field would cause it to reach peak production earlier than planned—next year—but it would be able to maintain this level of production for seven or eight years. Oil specialists disputed the CIA analysis, saying that only a small proportion of the West Siberian fields that "we have in our pocket" is now producing. Output will increase as additional fields are brought into production. Press articles, however, have expressed concern over a lag in exploratory drilling in Western Siberia. G. P. Bogomyakov, party chief

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of Tyumen oblast, recently wrote that there were conflicting opinions about the region's future and concluded that the matter is "complicated, but not disastrous."

Pessimistic Views

A third, more pessimistic group of officials in essence agrees with the CIA projections and foresees that the Soviet Union will become a net importer of oil and will experience energy problems similar to those of Western countries. This type of commentary has not been extensive or detailed enough to indicate what it is based on. Sometimes the speaker's position does not imply any special knowledge of the subject. Nevertheless, as a body these comments suggest that pessimism over the country's future oil and energy situation is not foreign to the thinking of the Soviet elite.

Minister of Gas Industry Orudzhev, in his comments to an official of the Department of Energy in December, criticized past decisions and continued pressures to use oil and gas for fuel. He said that gas production might well peak in the 1980s and dwelt on the technical difficulties in transporting gas from Tyumen. In sum, he said that energy conservation is a problem for both the US and the USSR and that a solution is urgently needed.

Some comments by diplomats also reflect a pessimistic outlook. M. S. Kapitsa, chief of the First Far Eastern Department of the Ministry of Foreign Affairs, told a [] in June, "The US intelligence services estimate we have a 10-year (oil) reserve. I feel it is closer to five." A Soviet diplomat has commented that, according to technical experts at the Foreign Ministry, the Soviet Government estimates it will become a net importer of oil in six or seven years, taking into account the commitments made to East European countries.

Clearly, in addressing East Europeans directly, a political motive is apparent in pessimistic presentations, because reassuring remarks by Soviet spokesmen undermine efforts to induce these countries to contribute more to the solution of their own energy needs.

Conclusions

The Soviets have not reacted to the CIA analysis with a forceful public rebuttal. The few published commentaries hardly compare, for example, with the extensive criticism the Soviet press directed at the Club of Rome's report, *Limits to Growth*, following its publication in 1972. Even [] Soviet comments have been disparate and on balance lacking in assurance, well-developed arguments, or information. This kind of response is all the more

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remarkable considering the CIA label on the analysis, its Soviet focus, and the aggressive tone Soviet media and officials have often adopted on other US-related issues during the past year.

Such reticence appears to reflect a state of concern and uncertainty among responsible Soviet officials over their country's energy prospects. Evidence suggests that such a frame of mind was developing before the CIA reports appeared. The uncertainty is fed by a lack of reliable data or forecasts, which evidently are still in the process of formulation. The policy and organizational disputes that are likely to arise in such a situation could account for some variations in attitudes and assessments. Moreover, as noted in the case of Eastern Europe, a standard, clearcut line would not necessarily serve all Soviet interests.

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