North Sea Oil Pipe Dream Turns into Costly Nightmare

Aug. 2 — Britain's grand and foolish hopes for a New Klondike in the North Sea are evaporating as fast as the rest of the Rockefellers' mad schemes for a "new world order." The latest "rescue" operation for the North Sea Oil project, a scheme to force the British working class to foot the bill, promises to be as successful as the bankrupt project itself.

As the price of oil quadrupled in the fall of 1973, the influx of huge platforms, barges, pipelines, and thousands of construction workers to Scotland and the North Sea lured the British government into pipe-dreams. Britain would be self-sufficient in oil; Britain would reverse the last 25 years of balance-of-payments deficits. It was okay to mortgage now, because North Sea oil would pay later.

Two years and $5.7 billion later, with the demand for high-priced $13-a-barrel oil severely reduced by the world depression, all the North Sea drilling rigs are at least a year behind schedule, costs in most oil fields are running 50 to 100 per cent over original estimates, and sufficient skilled divers and iron-workers cannot be found at any price.

The projects themselves are death traps, on which men are worked 12 hours a day, seven days a week while on the rigs at sea. The death rates are particularly high among divers, who are sent down hundreds of feet in tiny work chambers for days at a time with little training.

Far Behind Schedule

As of now only one field out of 13, the relatively small Argyll, is actually pumping oil, and that at the miniscule, profitless rate of 20,000 barrels per day. The original wildly kited estimate for this summer was to have five fields in full operation.

Now the short "window" of clear weather is nearing its third and final month, and the fierce winds and tides between Scotland, Norway, and the Shetland Islands will preclude major development work on the 14,000-ton concrete and steel platforms until next May.

The oil companies have spent about $5.7 billion on the whole mess in the last two "boom" years, plus operating costs. The largest oil companies and their New York banker backers have laid out the largest share, but almost every oil company in the world, and most of the large and medium-sized banks in Europe, are locked into the hideously expensive and risky North Sea project in some way.

The inherent risk is that successful drilling is much more expensive in 500 feet of icy water than in the sands of Texas or Saudi Arabia. The production cost per barrel of oil in Saudi Arabia is 10 to 15 cents, and averages 88 cents in the United States. British Petroleum estimates that North Sea oil will cost between three and four dollars a barrel to get to shore, an estimate that will probably skyrocket like all other time and money guesses about the project.

A North Sea field that is dry is a bigger loser. Last week British Petroleum's Niniau field was recently re-evaluated down from 2 billion barrels recoverable to 840 million barrels, as section after section came up dry.

Sufficient profit in the North Sea depends on unusually high volume and high prices. As worldwide industrial demand for oil drops due to the depression, and prices stay stable or even threaten to decline, North Sea investers are the most exposed because they have laid out the most in start-up costs.

The financing arrangements, according to Morgan Stanley investment bankers in New York, call for the beginning of debt repayments only when the oil starts to flow. Therefore zero return is coming in on the huge outlay to date.

There is a so-called rescue plan for the doomed project, but it is almost as witless as the original scheme. The British government and several oil companies have agreed in principle that Her Majesty will "participate" in the North Sea by buying up 51 per cent of the debt, in return for 51 per cent of the expected revenue. The most economically battered government in Western Europe, which just passed the 1 million mark in unemployment, who nationalized industries are for the most part already deep in deficit, is expected to load the oil companies' bad loans on the backs of British taxpayers — about $3 billion worth!

The Houston representative of the Bank of Scotland, which has sunk millions into the North Sea, said flatly, "I don't know how the government could do it. They'd have to raise it over quite a few years, and I don't know who would lend it to them."

In a semi-private study by the Eurofinance group of Paris last spring, the largest oil companies and banks said quietly that they could accept a government tax rate as high as 70 per cent on the major fields, if the British Treasury would buy up enough of the investment already laid out. This incredibly high percentage shows the desperation of Rockefeller's "rugged free enterprise" oil giants, who are always yapping about how much they hate government regulation by Britain's "socialist" government.

The Labour Party government is probably planning brutal cuts in the workers' standard of living to finance the North Sea fantasy projects in the years ahead. Chancellor of the Exchequer Denis Healy announced last week that Britain's budget for 1977 is no longer projected to expand, but to contract by $6.6 billion.

The nationalization scheme, which is expected to be haggled out by this fall, is only a mad attempt by the New York banks to gouge as much money as they can as quickly as possible, and run with it.