Arabs, in spite of Kissinger's call for a united consumers' approach," reported the Financial Times. British Trade and Industry Minister Peter Carey and industrialists at BP, British Steel, and Imperial Chemicals toured the Middle East and were promised 40 million ton barter deals by the Saudis, with similar negotiations from Iran, "casting a cloud over the Kissinger effort." Germany and Italy began to follow suit.

On Jan. 9, the Conservative government announced it was forming a new Department of Energy "to speed production programs in the North Sea, methods of expanded coal production, and the choice of the necessary nuclear reactors for an expanded nuclear development program," the new Energy Minister Lord Carrington stated, "My first priority is the quickest delivery possible of North Sea energy." "The new ministry is to be welcomed without reservation," said the Labour Party. Sir Eric Drake, then chairman of BP, urged that "if the transition to future energy needs is to be smooth, investment decisions and research commitments are called for now."

Much was done in New York and Washington to halt these developments, including renewed State Department threats against any British national oil company. The International Monetary Fund even precipitated a political crisis by demanding the Heath government hold an election to demonstrate its mandate in order to receive a $1.5 billion loan Britain desperately needed for food and energy imports. Heath was eventually forced to join Kissinger's IEA.

But when the Labour Party won the election, Lord Balogh and Anthony Benn from the Wilson days immediately set about establishing the BNOC. Balegh opened a strong press campaign, hitting at the theme, "The physical possession of oil in times of emergency cannot be matched by mere taxation." In a major article, "The North Sea Blunder," he lit into the Shell-Esso suppression of the Groningen field, and the "unacceptable attitudes and policies" behind the May 1964 licensing agreement which they had forced through. "The use of the Official Secrets Act to hide the facts and decisions in this case inflicted grievous damage on the country's fortunes." As a solution, Balogh called for "a National Hydrocarbons Corporation, which would carry state interest in operating North Sea consortia, both those which will be formed in the future *and those which have been formed in the past.*"

In July 1974, the Department of Energy issued a White Paper proposing the British National Oil Corporation to "invite the companies to negotiate its 51 percent participation in future and previous licenses... " Exxon and the New York banks threatened the government heavily, and the outraged conservative London Petroleum Economist reported that September that if BNOC was set up, New York would pull out funds and capital development equipment from the North Sea, destroying it.

British Petroleum, however, accepted the principle of BNOC 51 percent participation in its North Sea fields in the summer of 1975, and called the bluff of Exxon and Shell, who didn't dare leave. The BNOC was officially created by the Petroleum and Submarine Pipe Act of November 1975.

Today, the tide has turned. Not only has BNOC taken over 51 percent of the North Sea, but it has forced Shell and Exxon to accept it as a partner in their own fields. As BNOC begins to do its own refining and marketing, the oil from the North Sea will be the edge that drives Exxon, Mobil, and Shell (unless it joins the Europeans) out of the UK and the European energy market.

A working coalition of BNOC, BP, Italy's ENI, France's CFP and U.S. independents such as Ashland Oil is now maneuvering to hit Exxon and Mobil where it will really hurt — Saudi Arabia, long the bastion of the monetarists' world oil production strategy. Saudi Arabian oil minister Zaki Yamani is negotiating the nationalization of the Exxon-Mobil-Texaco cartel which controls 99 percent of Saudi Arabian oil production. The British-led group is giving Yamani maximum support for full nationalization — and intends to market Saudi oil in Europe, putting the brothers Rockefeller off the continent.

Arab Output Shows The 'Oil Shortage' Is Baloney

The International Energy Agency released a report last week which concludes that by 1985 the world may find itself short of oil by 14 million barrels a day. James Schlesinger, designated U.S. Department of Energy chief, is currently justifying the Carter Administration's policy of sharply reducing energy consumption by citing just such doomsday predictions concerning "finite oil supplies."

The IEA-Schlesinger "scarce resource" line adds up to a big lie. Proper development of the world economy, including transition to a fusion-based energy system, mandates vastly *increased* oil consumption, and there is every evidence that the oil is available. To cite only one example, the French Daily *Les Echos* recently estimated that based on current known world oil reserves of 640 billion barrels, a real petroleum shortage would not *begin* to materialize until 1985. And geological surveys reveal numerous relatively untapped areas with sizable additional reserves just waiting to be exploited.

Moreover, the Arab oil producing countries, the source of the cheapest and most accessible oil supplies, have already begun to initiate a major *expansion* of oil production. Leading the way is Saudi Arabia, presently in the midst of an effort to increase its production

Comparison Of The Number Of Exploration And Producing Wells In OAPEC And Other Countries

1970 - 1974

Exploration / Production	1970	1971	1972	1973	1974
OAPEC Countries	134/419	101/251	101/348	67/534	60/520
Nigeria	31/137	55/172	61/197	45/194	51/198
Iran	11/33	6/98	2/59	18/63	27/73
Far East	118/112	185/287	208/175	275/340	287/459
Western Europe	159/203	199/219	210/249	217/183	243/246
Latin America	574/1757	548/1763	542/1592	488/1572	503/1635

Source: International Petroleum Encyclopedia, 1971-76.

capacity to 16 million barrels per day, almost twice the 1976 output. In the most recent issue of the Bulletin of the Arab Organization of Petroleum Exporting Countries (OAPEC), Assistant Secretary General Mahmoud Amin calls on Arab oil producing states to expedite a program for oil exploration, and links "the transfer of the oil industry to the hands of the Arab national oil companies" to the "responsibility" of meeting growing world demand for petroleum. Early this year Saudi Arabia issued a call for a worldwide energy conference to scientifically assess the state of global oil reserves and alternative energy sources including nuclear power — demonstrating the Arab concern to plan the most efficient use of oil to maximize global economic development.

The Saudi Example

Last year alone the Arabian American Oil Company (Aramco) discovered three new fields in Saudi Arabia, increasing its proven reserves to over 150 billion barrels of oil. The net addition for the year, after extraction, was 2.3 billion barrels proven and 1.7 barrels suspected. In every year of production, Aramco has shown the existence of new reserves which are greater than the total output! Saudi government sources generally agree that the 150 billion estimate is conservative and figure Saudi proven reserves are 1.7 billion barrels upwards. These estimates do not even take into account the vast desert of central Saudi Arabia, the Empty Quarter, where only minimal exploration has occurred and where many industry sources believe there is bound to be additional oil. On the basis of presently known reserves the Saudis could pump an average of 12 million barrels a day for a century, says Aramco. Exploration cost is no problem for the Saudis and the oil is relatively accessible. The current production cost per barrel is only about 10 cents, the cheapest in the world. The major obstacles the Saudis face in achieving increased exploration and production are political.

The Saudis are at present in a drive to increase crude output to a target figure of 16 million barrels a day (mbd). Riyadh is also mounting a concerted effort to finalize the nationalization of Aramco. Saudi diplomatic sources say this is now being completed by Oil Minister Sheikh Ahmed Yamani, presently in Europe for that purpose. The *Financial Times* of London characterized current Saudi oil policy and Saudi relations with the four Aramco partners — Exxon, Socal, Texaco and Mobil — as "just as if its 100 per cent takeover by the government had been completed." Saudi Arabia hopes to be operating already existing producing capacity to full use at about 14 mbd by the end of 1977, the equivalent of adding another Kuwait to the world's oil producing community. Presently, Aramco has only 15 of the 35 producing fields working, but the government has called on the company to bring two offshore fields, shut down last year as a result of the production ceiling, back on-stream.

Enormous revenues have been expended by the Saudis to install the necessary capacity to reach the 16 mbd target (almost twice as much as production for 1976). Construction of massive sea-water injection facilities is also underway to maintain pressure in older fields, thus extending their productive life.

The Saudis have begun to take political initiatives to determine the use of newly produced crude. The incremental oil will go in three directions: to the Aramco partners; to existing third partners of Aramco, including British Petroleum and Royal Dutch Shell; and to new customers such as Italy's ENI and Montedison, and the French national company CFP. The Saudi state-owned company Petromin is itself preparing to market increased amounts of Saudi crude. Shortly after the December 1976 OPEC meeting, Petromin hired a special consultant to aid in its drive to boost its direct sales (mainly on a state-to-state basis) which since late 1976 have doubled to just under a half million barrels per day.

UAE Follows Suit

Saudi Arabia's neighboring Persian Gulf sheikhdom, the United Arab Emirates (UAE), is also seeking to increase petroleum output. The Abu Dhabi National Oil Company (ADNOC) has approved a $1.5 billion project to raise offshore oil production by 450,000 barrels per day or about one-third of current production. ADNOC has contracted with France's CFP to do the job for them. The target of the project is the offshore field, Zakum, which currently only yields 50,000 barrels per day. The large

Comparison Of Cumulative Production To Added Reserves (1960—1974)

	Reserves in* 1960	Reserves in 1974	Cumulative* Production 1960-1974	Net Added Reserves	% of 1960 Reserves
OAPEC Countries	283.9	343.0**	46	59.1	21
Iran	28	66.2	16	38.2	135
Venezuela	27.7	18.6	17.2	9.1	33
Indonesia	8.4	15.1	3.7	6.7	80
Nigeria	1.6	20.2	3.9	18.6	
W. Europe	2.0	20.7	1.7	18.6	91
Far East	10.0	20.0	5.7	10.3	64
Latin America	34.8	30.3	24.2	(4.6)	(23)

* Petroconsultant S.A.: World Production and Reserve Statistics, Geneva, 1975.

** Average figure of reserves published in: World Oil Report, 1974. Oil & Gas Journal, 1975. Twentieth Century Petroleum Statistics, 1975. International Petroleum Encyclopedia, 1975. Petroconsultants, 1975.

offshore field Umm Shaif is slated to up its output by 130,000 barrels per day during the course of 1977. The UAE's Oil Minister Mana Saeedal-Oteiba said last month that the UAE could produce right now an additional 300,000 barrels per day and up to one million barrels per day by the end of 1978.

Offshore petroleum reserves in the Persian Gulf are thought to be extremely abundant, as are suspected reserves in the Gulf States of Kuwait and Iraq. Iran, as the OAPEC report indicates, has been the only Middle Eastern Producer to consistently pursue a policy of continued exploration. It has just made a large offshore strike near the Straits of Hormuz near the mouth of the Persian Gulf estimated at an eventual 300,000 barrels per day yield. Like Saudi Arabia, the Iranian government has contracted for the installation of gas and water injection systems to keep its older fields going strong. Iran's national oil company (NIOC), one of the upcoming regional state owned companies in the area, is anticipating moving a record 1.5 mbd independent of the consortium of multis during 1977.

With a global commitment to rapid research and development in nuclear fusion and fission energy, which could begin to come onstream for the industrialized countries in the 1980s, plus a concomitant effort to supply the world with necessary oil for industrial expansion, the solution to the world's energy problem is well within reach.